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PAY AND MOTIVATION IN CAR SALESMEN

BY

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TABLE OF CONTENTS

List of Tables	6
List of Figures	8
Acknowledgements	9
Abstract	10
Introduction	12
Chapter Two: THE JOB OF A CAR SALESMAN	20
Introduction	20
The Car Salesman (The Customer Perspective)	21
The Customer (A Salesmans Perspective)	23
The 'Part Exchange'	30
Management Attitudes	35
The Pay System	39
Allocation of Time	44
How Do Salesmen Sell?	48
Conclusion	51
Chapter Three: THE ROLE OF PAY IN MOTIVATION	56
Low Profile Theories:-	
Hawthorne Studies	60
The Effect of Extrinsic Motivation on Intrinsic Motivation	71
Need Theories	81
Maslow's Hierarchy of Needs	83
Herzberg's Two Factor Theory	87
McClelland's Theory of Achievement Motivation	90
Job Satisfaction	92
Job Re-Design	95
Conclusions of Low Profile Theories	100
High Profile Theories:-	
Introduction	101
Scientific Management	102
Equity Theory	122
Goal Theory	127
Expectancy Theory	132
Summary	146
Chapter Four: SALES PERSONALITY & PAY	150
Sales Personality	151
Summary of Personality Traits	164
Personality Traits and the Job of a Car Salesman	167
Self-Esteem	168
Dominance	170
Achievement	172
Autonomy	173
Affiliation	174
Social Manipulativeness	176
Locus of Control	178
Conclusion	178
Sales Personality & Pay	179
Conclusions	187

Chapter Five: THE SALES PAYMENT SYSTEM	190
Sales Compensation	190
A Proposed Car Salesman's Payment System	193
Current Practise	193
Problems	195
Implications for Developing an Improved Pay System	199
Commission	202
Calculation of Profit	203
The Commission Matrix	205
Chapter Six: THE RESEARCH ENVIRONMENT	212
The Motor Industry	212
The Motor Trade	213
The Market Culture	216
Chapter Seven: METHODOLOGY	221
Introduction	221
Principles of Research	222
Research Design:-	
Study 1	225
Study 2	225
Research Instruments:	
Steers & Braunstein Behaviourally Based Measure of Manifest Needs	225
Janis-Field Measure of Self-Esteem	228
Machievellianism	228
The Samples	228
Study 3	
The Experiment	229
Sample Size	231
Statistics	232
Personality Measures	233
Ecological Validity	233
Research Problems	233
Research Morality	240
Chapter Eight: STUDIES ONE AND TWO	245
Study 1 How Salesmen Construe People in the Work Environment	245
Method	246
Subjects	246
Procedure	246
Results and Discussion	251
Study 2 The Personality Characteristics of Car Salesmen	252
Method	252
Samples	253
Procedure	254
Results	255
nAchievement	255
nAffiliation	255
nDominance	257
Self-Esteem	257
Manipulativeness	257
Discussion & Conclusions	258

Study 2a Personality and Performance	259
Method and Sample	259
Results	259
Discussion	260
Summary	260
Chapter Nine: The Experiment	263
Introduction	263
Method	264
Subjects	264
Research Instruments	265
Performance Measures	265
Procedure	266
Experimental Group (Pay)	267
Experimental Group (Training)	270
Results	271
Units Sold	271
Profit per Unit	276
Income	279
Personality	283
Conclusions	289
Chapter Ten: Discussion & Conclusions	
Practical Implications	294
Appendices	299
References	374

LIST OF TABLES

2:1	Salesmen's Attitudes to Being Paid on Commission	42
2:2	Results of Productive Time Analysis in the Sales Department	45
2:3	The Two Realities of Selling	52
3:1	Classification of Motivation Theories in Relation to Pay	60
3:2	Summary of Studies Comparing Four Motivational Techniques	108
4:1	Significant Relationships between Personality Traits and Sales Behaviour	165
7:1	Reliability Co-Efficients (Cronbach Alpha) in Several Samples	227
8:1	Constructs Elicited from a Group of Car Salesmen Using the Repertory Grid	249
8:2	Manual Classification of Constructs Elicited from a Group of Car Salesmen	250
8:3	Comparison of Demographic and Personality Traits in Three Occupations	256
8:4	Correlation of Personality Traits and Performance	259
9:1	Management Report of Sales Results of Experimental Dealership Compared with Structured Sales Group and Company Control	272
9:2	Comparison of the Difference in Average Units Sold per Month per Salesman and Between Groups During the Periods of 1st Jan 1982 to 30th June 1982 and 1st Jan 1983 to 30th June 1983	273
9:3	Commission Payments to Experimental Salesmen	275
9:4	Mean Profit Per Unit Sold in Experimental and Control Groups	277
9:6	Mean Income Per Month for Experimental and Control Groups	278
9:5	Correlation of Performance Measures	279
9:7	Calculation of Amount of Income Per Vehicle for each group	282

9:8	Change in Units Sold, Profit Per Unit and Income in All Groups	284
9:9	Age and Personality Characteristics of Experimental Salesmen and Control Groups	286
9:10	Correlations Between Performance and Personality Measures (1983)	287
9:11	Correlations Between Performance and Personality Measures (1982)	287
9:12	Correlations Between Age and Personality Traits	288

LIST OF FIGURES

2:1	Poster Used by Democratic Party during 1968 Presidential Campaign	21
2:2	Relationship of Customer and Sales Personnel Categorisation	26
3:1	A Representation of Maslow's Hierarchy of Needs	84
3:2	The Job Characteristics Model of Work Motivation	97
3:3	Effects of Different Systems of Payment on Rate of Improvement	110
3:4	Empirical Co-Ordinates of the Vroom (1964) Model	136
3:5	The Motivation Model	141
4:1	The Sales Personality	152
4:2	Ego Strength and Empathy	161
4:3	A Machievellian Character	176
5:1	Sales Commission Matrix	207

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ABSTRACT

This is essentially a field experimental, psychological study of the response of a group of car salesmen to a change in their incentive payment scheme.

It is suggested that the ethos of the Human Relations movement has inhibited research for a number of years and that the concepts of this movement investigated by Whitehead (1938), Roethlisberger & Dickson (1964), Maslow (1943), Herzberg (1968) and Deci (1971) and propounded by McGregor (1961), Argyris (1962) and Mayo (1975) are not supported by the evidence while research does establish that pay can, and does, enhance performance in the work place.

This hypothesis is investigated in a group of car salesmen - firstly by establishing a personality profile suitable to the characteristics of the job (which are described) and then by changing the payment system of a small group of salesmen, so that they are able, and can expect to, optimise their income for a period of six months by selling more vehicles and by increasing the amount of the profit in each unit sold.

At the end of the experimental period it was found that the number of units sold by the experimental group was significantly higher than performance in a previous period and greater than the control groups. However, the profit per unit appears to have decreased. It is also found that high self-esteem and an internal locus of

control are related to sales performance.

While it is not possible to ascribe causality for any changes to the experimental manipulation with any degree of certainty, there are indications that the opportunity to optimise income did influence the salesmens performance.

CHAPTER 1

INTRODUCTION

The aim of this research is to establish, in a manner which would have credibility among, practising managers in the motor trade, whether pay could influence behaviour, particularly sales behaviour, by enhancing performance. 25 years ago Shimmin (1959:22) stated, while talking about the commonly held view that productivity will improve in response to a system of pay that links pay to performance, 'The truth of this assumption has not been demonstrated scientifically.' This comment still remains valid.

By its very nature this research falls generally into the area called 'motivation' research. This has recently received a great deal of attention as there appears to be a dichotomy of views, both among managers and researchers, as to what does motivate performance. With the current economic climate managers are actively seeking a solution to this dilemma. In particular, the role of pay in influencing performance continues to be a matter of debate - some managers believing views put forward by the Human Relations movement that pay is not a primary motivator, and can even reduce motivation on an interesting task (Deci 1971), while others accept the more traditional view that if you want someone to work harder then pay must be linked to effort and performance.

Much of the literature and many sociological studies (Roy 1952, Lupton 1963, Bowey et al 1982) are capable of a variety of interpretations so it is left to the empiricism of the psychologist to attempt to establish truth and causality. There have been a number of laboratory studies within a variety of theoretical perspectives (Adams 1963, Locke 1968, Pritchard 1973) but few field experimental studies, one of the few techniques which has total ecological validity. In the days before the Second World War, when it was not considered unethical, there were a number of studies which manipulated pay. Burnett (1925) set up a small factory in a room of the University and taking girls who were unemployed gave them a job for 15 weeks paying them firstly on time rate and then according to a piece-work system. Wyatt et al (1934) separated a group of girls from the main factory and changed their pay system from a time rate, to a bonus system and then to a piece-rate system and, of course, the Hawthorne Studies moved girls into a separate department and changed their pay. One doubts whether such experiments would be ethically acceptable today.

Field experiments since then tend to manipulate an additional financial reward rather than the pay system itself (Pritchard et al 1976, Latham et al 1978, Luthans et al 1981) so although the influence of a financial reward can be established, one cannot necessarily draw similar conclusions about the influence of pay from this evidence. This research is an attempt to establish in a

field experiment whether pay influences behaviour and is therefore, in this respect, unusual.

The subjects are a group of car salesmen. Car salesmen are a particularly interesting group of people to study as they seem to contradict much of the current Human Relations paradigm of work motivation. They seem to be competitive and gregarious at the same time. They seem to strive and work hard for additional financial income while at the same time getting a great kick out of the intrinsic achievement and satisfaction of selling a product; demonstrating both extrinsic and intrinsic motivation at the same time.

Salesmen, generally, have a negative image but the car salesman can be regarded as the 'Definitive' stereotypical salesman. For example, the Observer (October 2nd 1983), reflecting public opinion, describe his role as 'an obstructive force as he tinkers irritatingly with the customers pre-set ideas trying to sell him extras he does not want, or guide him up the range to another model he has no intention of buying.' In the same article the BL salesman is described as

He possesses a range of ill-fitting light coloured budget-account suits and his shoes are always a shade too fast - coloured grey or blue, or over-decorated with tassels or buttons or too high in the heel.

This research is among such men, although there is little evidence from the salesmen seen and interviewed during the course of this research, to justify either these comments or the popular stereotype.

Although it is the intention of this research to examine the literature on pay and to present and test a theory driven pay system and so to draw empirical conclusions which should have practical value to managers, it is not argued that the values and principles put forward by proponents of Human Relations Movement are wrong. It is, however, the authors view that the importance of pay in the motivation of individual behaviour has been understated and misunderstood because research and academic attention has been focused on intrinsic, group and the social aspects of motivation. For example, McGregor (1966:24) states quite specifically that, 'Economic rewards are certainly important to the professional, but there is ample research to demonstrate that they do not provide the primary incentive to peak performance.'

Both McGregor (1966) and Argyris (1962) have propounded the view that pay is not a major incentive or motivator, and both have been influential in altering managerial and academic attitudes to the detriment of pay research.

Because the subjects of the study are salesmen it is necessary to understand the job and its environment. Chapter Two, therefore, describes the job of the car salesman and evaluates his problems and difficulties.

Chapter Three takes a detailed look at the literature on pay from the perspective of the psychologist. There is a great deal written about pay. There are

articles by laymen propounding a particular viewpoint, articles by economists dealing with the role of pay in the economic system, articles by Industrial Relations experts concerned with bargaining, and sociological studies of various organisations and environments. To keep the review to manageable proportions this review tends to look at the empirical evidence of how pay influences performance in individuals, although where a study is particularly interesting or relevant it is included. According to such criteria the governments review of payment by results systems (National Board for Prices and Incomes, Report No 65, 1968) has been excluded but Millwards (1968) has been included. Shimmins (1959) sociological study which gives such interesting views on how workers perceive the payment system and suggests the principle of functional understanding is excluded, while the empirical study (also part of Shimmins (1959) research) by Buck (1957) is included.

In some such reviews, motivational theories are classified into Process and Content Theories (Campbell & Pritchard 1976), but it is considered that, as this review examines motivational theories from the perspective of how they view pay the High Profile and Low Profile classification suggested in 3 accurately reflects this perspective.

Chapter Four discusses the generality of pay research as it applies it to salesmen. Because behaviour is viewed as a function of, not only the pay system, but also the unique personality of the individual it is

necessary to establish whether there are any specific personality characteristics which mediate successful selling, and see whether these personality traits make their response to the pay system more definitive.

Chapter Five describes a payment system, based on the principles of Expectancy Theory, devised by the author and designed to enhance the performance of car salesmen.

Chapter Six attempts to give the reader an insight into the world of the motor-trade - the research environment.

Chapter Seven explains the methodology of the research and describes some of the problems encountered during the course of this field study, many of which are probably endemic to this type of research.

Chapter Eight presents the results from two studies, by their very nature exploratory, which examine the perception of and personality of car salesmen.

Finally Chapter Nine presents the results obtained from experimentally manipulating the payment system of a group of car salesmen.

This is an unusual study as most modern research into pay is not experimental. The results of the study are not conclusive. However, it is argued that the results do indicate that pay does influence performance and that research of this nature is important and needs encouragement and stimulation if psychologists are ever to understand how pay influences adult behaviour.

CHAPTER 2

THE JOB OF A CAR SALESMAN

Introduction

Haggling and bargaining have unpleasant connotations for many Englishmen. The process conjures up pictures of the Far East where Levantine Merchants take unwary English tourists for a ride. Yet the use of bargaining to resolve conflicting desires is precisely how one can define the process of selling a car. It is a common, if complex, inter-personal situation.

In the car sales situation bargaining is almost impossible to avoid. Bonoma (1979) reports a field study where experimenters called on a number of car dealers and tried to buy one at full list price. No one succeeded. As Bonoma (1979:157) reports:

. . . the salesman never fails to take her aside and say, "perhaps there is something you don't understand about buying a car." He then ordinarily goes on to tell her that people bargain for automobiles: they do not pay list price!

It is the concept of price bargaining which differentiates selling from the process of serving in a shop. In a shop the customer originates the transaction; there is little or no financial gain for the shop assistant contingent on the sale, and the standardisation of the products and prices ensure the absence of any negotiation. We need, therefore, to define the role of the industrial and durable goods salesmen whose job is

far more complex than just serving a customer. In this case selling is an inter-active bargaining situation between two unique individuals, initiated and controlled by the salesman, the central feature of which is the persuasive communication regarding a commercial proposition.

What this chapter does, therefore, is examine the different aspects of the job of a car salesman, particularly those aspects which make selling more difficult and the salesman less effective. For example, the reputation of the salesman means that customers approach him with some suspicion while the fact that most customers have a car which they wish to offer in part-exchange further complicates the situation.

The Car Salesman (the Customers' Perspective)

Even though almost everyone nowadays has a personal experience of buying a car, they approach car salesmen with a certain amount of trepidation. This, to some extent, is a consequence of the salesman's reputation but to a large extent is due to the situation. During the US Presidential campaign of 1968 the Democrats used a slogan, under a picture of Nixon stating, 'Would you buy a used car from this man?' (Figure 2:1) implying the necessity for an enormous amount of trust in the situation together with little expectation that such trust was going to be justified.

From the customers perspective, if salesmen generally have an unsavoury reputation then the car

FIGURE 2:1



1968

Poster used by Democratic Party During 1968

Presidential Campaign

salesman is the epitome of all such characters and is described by Brown (1973:28)

He cut his teeth selling used cars in Livernois, the used car capital of the world. He wore herring-bone suits, his shoes were pointed and polished; on his right hand he wore a two carat diamond ring; he lied glibly; he had no conscience, no pity for the suckers; he was the architype successful car hustler; the razzle-dazzle near nefarious business suited him perfectly.

More recently the Director General of the Motor Agents Association, (Dix 1984) after a survey of 47 salesmen, described them as:

. . . they date from the 50's. Spent and faintly shifty. They were mostly a mixed bag of wide boys, has beens and misfits. Sales patter apart, they remind me of our Arthur Dailey, except that he is better dressed even though he wears hush-puppies with a blue suit and trilby.

It is the opinion of the author after many years in the motor trade that these ideas are mistaken. Car salesmen are normally young men just doing a job and trying to make a living; but the nature of the situation is such that it makes a large amount of trust necessary. From the customers' perspective the car is either the largest or second largest purchase of a life-time. The importance of such a purchase is only exceeded by the fact that many people have little or no knowledge about the price, the model range and availability of cars, so they need to trust salesmen. It is a potentially difficult situation, so it is easy to understand why the prospective purchaser approached the situation with a certain amount of trepidation.

The Customer (A Salesman's Perspective)

To a car salesman all customers are different and need to be approached with caution. The fact that they have a part-exchange (with which there is undoubtedly something wrong which they do not wish to disclose) is grounds for suspicion at least. The trade is rife with horror stories of angelic vicars who, after a price has been agreed on their part-exchange, then proceed to remove the tax disc, take out the radio and change the wheels for ones with older tyres. It is a common experience for salesmen to be deceived about the year and the mileage on a customer's part-exchange.

Customers look different, they want different things, and go about getting them in different ways. In the motor trade in particular the customer is, in the jargon of the advertising agencies, pre-sold by the multi-million pound advertising campaigns of the motor manufacturers and so come to the car sales showroom with a whole number of expectations. He expects immediate delivery in his favourite colour with the options (sun-roof, radio, etc) that he selects when, often, such a combination is not available. Compromises over the specification of new cars are almost always necessary.

A great deal is known from consumer research about how customers behave and their attitudes. This is not the place to evaluate this research in any great depth (for reviews see Engel, Blackwell and Kollat, 1978, Kassarian 1982), but a number of studies of car purchasers

demonstrate the complexity and variability of the situation.

It is clear that customers vary considerably in the amount of information that they seek before buying a car. If they already own a particular model and have had no problems then they are likely to buy the same make, even model, again without evaluating the alternatives available (Bennett and Mandell, 1969). Further confirmation of comparatively limited evaluation is provided by research which established that 75% of potential purchasers visit only two dealers (or less) and that two-thirds of these bought the same brand of car again (Newman and Staelin 1972). It would appear that the amount of information sought and evaluation undertaken is comparatively slight for such an expensive purchase. It is only if the prospective purchaser has had problems with his existing car that he will make a substantial effort to find and evaluate the alternatives (Kiel and Layton 1981).

One of the most comprehensive studies which evaluates and classifies car purchasers according to their information seeking behaviour was undertaken by Furse et al (1984). An interesting aspect of this study is that the patterns of information seeking behaviour identified by the researchers were also used by salesmen to classify customers, presumably to assist adaptive sales behaviour. Using a sample of 1031 "principle decision makers" together with questionnaire and interview data the researchers were able (by cluster analysis) to classify car purchasers into six information seeking categories:-

- | | | |
|----|--|-----|
| a) | A Low Search Group
(Spends least time obtaining information,
has owned more cars, highest income) | 26% |
| b) | A Purchase-Pal Assisted Group
(Least experienced, owned fewer cars,
little confidence, less satisfied with
current car) | 19% |
| c) | A High Search Group
(Spends greatest amount of time obtaining
information, low confidence, best educated) | 5% |
| d) | A High Self-Search Group
(Spends a great deal of time on but does
not involve others in purchase, well
educated, high income, male, considers
many models) | 12% |
| e) | A Retail Shopper Group
(Large number of decision makers involved,
consider a lot of makes) | 5% |
| f) | A Moderate Search Group
(Below average time in search activity,
don't involve others, older males) | 32% |

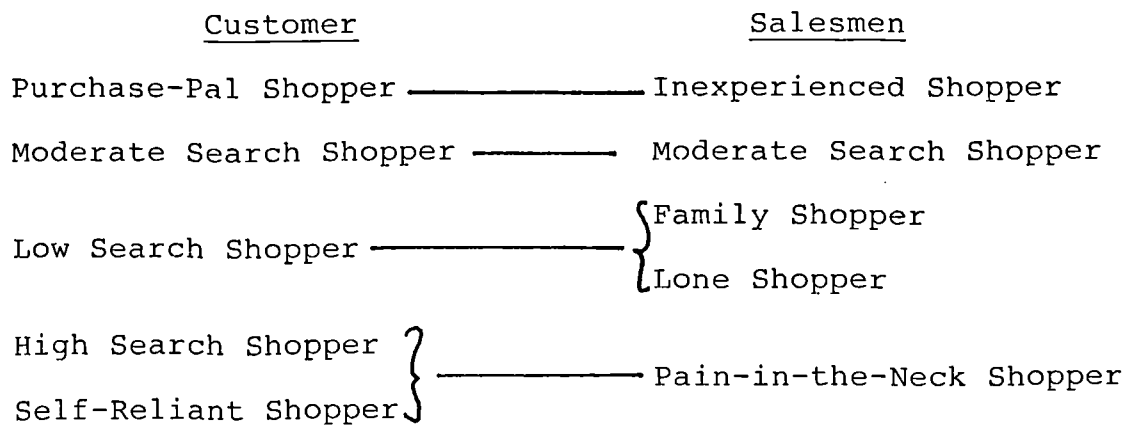
An interesting aspect of the study was that the researchers then asked a group of 47 car salesmen to classify customers in a similar way. The researchers identified six categories of purchasers who appeared to have similar characteristics to those identified from the consumer information. (See Figure 2:2)

- a) The Negotiator
(Takes up a great deal of time, makes several visits,
high income, hard sell)
- b) The Inexperienced Shopper
(A first time buyer, unrealistic expectations,
visits many dealerships)
- c) The Lone Shopper
(Makes purchase alone, knows exactly what he wants,
most experienced)
- d) The Family Shopper
(Family involved, little time at dealership, not hard
bargainer)

- e) The Pain-in-the-Neck
(Hardest bargainer, visits many dealerships,
hardest to please)
- f) The Moderate Search Group
(Visits fewer dealerships, easy to please, self-
assured)

As Figure 2:2 shows the customer self-report information and the categorisation evolved from the salesmen seem to have a great deal of similarity.

FIGURE 2:2 RELATIONSHIP OF CUSTOMER AND SALES PERSONNEL
CATEGORISATION



From this it can be seen that car salesmen, by intuition, skill and experience, come to similar conclusions about customers as does the sophisticated statistical analysis. The researchers comment:-

It is interesting to note that sales personnel who participated in the study did not tend to readily offer types of customers based on search strategy. Rather they appeared to respond to specific characteristics of customers. Informal discussions with sales personnel in the early stages of the study suggested that they tended to use cues such as "pipe-smoker" "carries a clipboard" and so on as indicators of a time consuming or difficult sale, while recognising that people with small children tended to be rather easy or quick sales.

Customers also vary in their personality characteristics.

According to Evans (1959) a car is a very real extension of the owners desired personality; consequently Ford owners appear to have a significantly greater need for exhibition and dominance than Chevrolet owners, who appear to have a significantly greater need for autonomy and affiliation than Ford owners. Westfall (1962) considers that convertible owners are significantly more active, impulsive and sociable than saloon car owners. However, neither of these researchers was subsequently able to predict either brand or model purchasers in a controlled setting. This line of research is interesting as it appears intuitively likely that the colour and style of a car is a reflection of the owners desired personality. Certainly this is a popular belief. However, subsequent research in this area appears to have ceased following criticism by Steiner (1961) and Winick (1961) who suggest that Evans (1959) sample was biased, his statistics did not reach acceptable standards and his psychometric measures were unreliable.

It has also been suggested that the purchase of a car is (or maybe was) a particularly male domain. Davis (1970) established clear patterns of decision dominance between husband and wife in various domestic purchases. Apparently the husband decides when to buy, how much to spend, what make and model and where to buy the car.

It is also possible for characteristics to be identified which determine if a customer is going to buy the latest model or switch to another make. Wiseman (1971) measured socio-economic and demographic variables (particularly information, search pattern and usage expectations) which discriminated the new season buyer, while Ito (1967) is able to discriminate between loyal product buyers and brand switchers, from their attitudes to the product characteristics.

Bell (1967) in a study of new car buyers found that low self-confidence buyers asked for the support of another person to buy a car and so formed a buying team, identified as a 'purchase pal shopper' by the salesmen in the Furse et al (1984) study. However, he did not find that high, specifically car buying self-esteem made persuadability harder.

Such research on the interaction between high and low levels of customer and salesman's self-esteem could tell us a great deal more about the interaction, and could provide an explanation for the findings of Cialdini et al (1979) who discovered that tough initial bargaining will result in the customer being offered a lower price on a new car.

Physical appearance is also a factor in the Car Sale interaction. Wise (1974) in a study of 19 new car salesmen faced with customers of different races, sex and dress, found that women and well dressed men were

treated better in all respects than others.

If customers vary so greatly according to these clearly identifiable ways of approaching the purchase of a car, then it is necessary for a successful and competent salesman to develop a method for identifying and classifying customers. Interviews (see Appendix c) and discussions with salesmen suggest that salesmen do appear to adopt techniques for dealing with the enormous variety of complex interpersonal factors that they face. They appear to categorise people and situations in a variety of ways.

This process of categorisation is necessary to ease and facilitate the development of trust during the social interaction. However, there is a danger that it may hinder the sale if, as Tajfel (1981:6) suggests the salesman only seeks information to confirm his original stereotypical impressions, rather than seek to adapt and re-classify in the light of additional information obtained at a later stage of the sales interaction. Furse et al (1984) provided interesting empirical evidence for the categorisation of customers by a group of car salesmen while this research has found (Chapter 7) indications of the way a group of car salesmen classify customers according to their friendliness, co-operativeness, character, temperament and dress. Interviews with salesmen (Appendix C) reveal their ideosyncratic way of stereotyping. One particular salesman (No 6 Appendix C) commented,

I don't think any two are the same. I think they are all different. You obviously get your Managing Directors on one scale and your sort of Family Man. And the Whiz-Kid, if you like, the ones that want to buy a sports car. You can put them in those sort of categories, I suppose. The odd woman, single woman that's probably in a good job and wants to buy a motor car. You know, a nurse, or recently we sold a car to a woman Custom's Officer. You can put them in those sort of categories - but I think, you know, one Managing Director is very much like another Managing Director, - a Family man, one Family man is very much like another Family man . . .

Such a technique enables the salesman to form a subjective expectancy of whether his efforts to sell are

- likely to succeed.

It would appear from this evidence that car salesmen have workable stereotypes and are able to classify people accurately according to ideosyncratic schemes.

Given that even the best salesman is able to sell successfully to only 20% of the customers with whom he has interaction and has, therefore, to face rejection about 80% of the time, such initial evaluation strategies appear necessary to protect the salesman's self-esteem, particularly when faced with a high self-esteem customer (Bell 1967).

The Part Exchange

Because in today's affluent society most people already have a car to part-exchange, the 'part-exchange' as it is known colloquially in the trade, becomes an important focus of the transaction. Because the salesman and the customer have to interact to decide the price for the 'part-exchange', it is impossible for

management to do anything other than trust the salesman's negotiating and bargaining ability. Some efforts have been made by some companies to reduce this risk (see the Pendle System Appendix A) by having an expert, called 'A Controller' direct and control the activities of four or five salesmen. There is no evidence that such procedures work in practice and many apocryphal stories of situations where they do not work. (See Appendix A)

In the car purchase situation, trust between the individuals concerned is difficult and there are many opportunities for conflict. Not only does the customer approach the car salesman with a certain amount of suspicion because of the car salesman's reputation, but car salesmen have many of the same views regarding the trust-worthiness of their customers. Some of this apprehension undoubtedly stems from the fact that the customer is almost always interested in selling his old car and the salesman is well aware of the tricks and techniques of selling a used car. Brown (1976:50) found, in her group of American car salesmen, a certain degree of distrust of customers. One of these salesmen comments,

You know where we learn most of the dirty tricks? From our customers. We learn from them. Each one of them comes in with something a little different to try and cheat you. They are all experts and they bring their friends in.

The situation is similar in the British market. There are a number of, no doubt apocryphal, stories told by a salesman of being cheated by customers after the deal has been agreed. During the course of this study

one salesman commented

Car salesmen, I think, have a reputation for being a bit sharp and this sort of thing. But I think the sharpest one is the customer when he comes in.

The situation has a certain amount of logic about it. A customer will only want another car when there is a failure with or something wrong with his existing vehicle. He needs or wants the highest price for his car and is reluctant to disclose any defects on his car which may radically effect its price. A common occurrence is for the customer to forget to bring the registration book with him and, when the new vehicle is delivered and the old one taken into dealership, the car turns out to be a year older than was disclosed in the first instance. This can make a difference of up to £500 on the value of the car. Customers will also "clock" vehicles. That is, they will alter the odometer

to show a reduced mileage in order to increase the part-exchange value of their vehicle. One can hardly blame the salesman for facing such a potential interaction with a certain degree of trepidation and caution.

It is the price of the 'part-exchange' which decides the bargain. This figure decides which new car the customer can afford and it influences the profit on the total transaction. Consequently, it is important that the salesman gets this figure right both for the customer and the dealer. A great deal of skill is needed in evaluating, not only the condition of the vehicle but,

the market demand for the vehicle. For no apparent reason some cars and some colours are more desirable than others and, therefore, lose their value less quickly. Knowing which cars sell well, what are the common problems with a particular model, which colours are difficult to sell and whether there are any local market peculiarities which may influence the re-sale value of the 'part-exchange' are all attributes needed to evaluate a customer's 'part-exchange'. They enable the salesman to offer a price for the customer's existing car which is not only satisfactory to him, but which will enable the dealership to make a profit. The sale is agreed on the salesman's evaluation of the 'part-exchange'. It is possible, because of the method of accounting, for this car to be sold later for either a profit or a loss without influencing the commission paid or profit made on the original transaction. Good salesmen can persuade a customer to accept a reasonable price - bad salesmen give the highest price for the part-exchange. The ethos within the trade is that a good salesman is not the one who can sell a new car (anyone can do that on price) but the one who can value the part-exchange and persuade the customer to accept a reasonable figure.

The 'part-exchange' also serves as a general source of information to the salesman about the customer. Often the initial impression that a salesman makes about a customer is based on the car that he is currently driving. It reveals a great deal of information about taste, class and in which car the prospect is likely to be interested.

The part-exchange becomes the impression formation process. Brown (1976) found a similar process occurring in her group of American car salesmen. She comments:-

The Used Car Salesman is not left completely without clues. The customers car is quite often a valuable source of information containing miscellaneous sports gear, childrens toys, vacation stickers, ski sacks and the like. All give a salesman a clue as to what kind of car the customer wants and what kind of man he is.

The car itself (the make, age and model) is an important clue. The salesman knows intuitively, as May (1969) has shown empirically, that there is a direct relationship between the experience a customer has had with a particular make of car and the probability of him buying that type of car, or class of car, again.

The part-exchange is a potential source of major problems to the salesman. Not only does the price offered for it decide the profit on the new vehicle sold and hence the salesman's income, but the fact of its existence makes price bargaining an essential feature of the car sales process. Price bargaining *has* all the possibilities for distrust and conflict. If a salesman gets this part of the deal wrong he can be in trouble, not only with his sales manager for failing to make a profit, but also with customers who have a propensity to come in to complain if they feel that they have been unfairly treated. The role of the part-exchange in the carselling process is most important.

Micro-Environmental Factors

As if the job of selling is not difficult enough in itself, the salesman's life is made more difficult by the environment in which he works. There are three particular aspects of this environment which make the process of selling more difficult. These are

- a) Management attitude towards salesmen
- b) The pay system
- c) The utilization of time not spent in face to face interaction with customers

Management Attitudes

Unfortunately, even his own bosses do not regard the car salesmen as being particularly competent. Consequently, he has a comparatively low status within the garage. In the course of this research one sales manager, during an interview commented, '. . . the salesmen are all rogues,' while another remarked,

Oh no, they're all nice people, I mean don't get me wrong, it's just that they tend to leave things when you are not watching them all the time. The frustration bit, but you live with it, and forget it.

In a way, this attitude is quite surprising, as many General Managers and Managing Directors are ex-salesmen. Perhaps many of these attitudes stem from information on sales effectiveness supplied by the most important influence in the life of a dealership, the manufacturer (Frazier 1983).

The manufacturers undertake from time to time an evaluation of salesmen. Comparatively recently, British Leyland undertook such an exercise and were disappointed to find that few salesmen, "qualified"(1) the customer, by asking basic questions concerned with the ability of the customer to buy the car and even fewer salesmen presented the product in the way British Leyland expected them to. The survey concludes,

The fact remains the survey results give great cause for concern at a time when the market for new cars is contracting. Each sales opportunity must be capitalised upon. Salesmen's attitudes were too passive, they were polite, courteous, and quite helpful but left far too much initiative to the customers instead of seizing it for themselves.

Early in 1982, Toyota undertook a similar research exercise (Marketing and Research Consultants, 1982) with similar results. They commented,

The overall performance of Toyota dealers (salesmen) was low, with a limited number of exceptions.

They commented that the salesman's collection of information about customers was generally poor, the sales presentation in terms of behavioural actions showed that less than half of those behaviours reasonably expected were being done. Less than half the salesmen offered a test drive, and discounts were readily offered.

(1) Qualifying is the sales process of identifying customer requirements by asking a series of appropriate questions. For example, finding out the cash available.

In 1980, the motor trade consultants, R Sewells and Associates Limited, undertook a review and commented that, "Salesmanship of this level of mediocracy will drive hard working dealers into bankruptcy in 1980/1981."

Based on this evidence, the manufacturers conclude that salesmen in the United Kingdom are incompetent. Yet, many of these views are just not justified by the evidence because the technique for evaluating salesmen, called, The Mystery Shopper Exercise, is methodologically suspect. For example, in the BL study, the market research department used 50 couples who went to 500 BL outlets in the United Kingdom and pretended they were going to buy a car. In reality, the wife was a research interviewer who subsequently observed the salesman's behaviour and performance and then allocated marks according to a pre-established pattern. For example, marks would be given for showroom appearance, the amount of time the couple had to wait before being introduced, the method of introduction (that is whether the salesman mentioned his name, whether the salesman asked the customer's name), the process known as qualifying the customers needs, presenting the technical benefits, the method of trade-in, valuation, closing the deal and an overall rating of salesman's performance. All the other surveys used a similar technique.

Essentially what happens is that a manufacturer has identified these and other fairly precise behavioural sequences as good salesmanship. For example, the

manufacturers believe that if a salesman takes a customer for a test drive, then the probability of a sale is high. This view is based on market research correlational studies which have identified that many customers who purchase cars have been for a test drive. It is equally possible that the causal relationship is the reverse of that suspected and that the customer, who has decided to buy then goes for a test drive, rather than the test drive influencing the purchasing decision.

The behavioural models put forward by the manufacturers and subsequently used in training and evaluating salesmen, have little credibility amongst car salesmen. Some believe that the model will work but that it just does not apply to them. Others try hard to follow the guidelines laid down but adapt it to their individual style, so that the process becomes unrecognisable.

In reality, selling is an interactive process between two individuals, so that each must adapt to the behavioural sequence offered by the other. A pre-patterned sequence of behaviour is just not an effective way of influencing another person. It often happens that the particularly good salesmen fail the mystery shopper exercise miserably. They do not perform the sequence of events specified. It is suspected, by this researcher, that the mystery shopper is evaluated and intuitively identified as a time waster. The pretend customer (or mystery shopper) fails the impression formation and categorization stage of the sales process, so the salesman

will not exert his maximum effort to sell.

It may well be that salesmen in the United Kingdom are not particularly good, but it would be a mistake to conclude from the available evidence of the mystery shopping exercise that this is the case.

Such views by management influence sales performance for while those in authority over the salesmen continue to regard them as the lowest of the low, even more important continue to regard them as ineffective and fail to recognise the reality of the actual sales situation, then there is little prospect of systematically improving sales performance. Good salesmen discover for themselves the techniques that work for them, bad salesmen appear to follow the manufacturers behavioural sequences and fail.

The Pay System

Many salesmen have a proportion of their income dependent on their performance. Car salesmen in particular have a very high proportion of their income totally dependent on their sales performance. The amount can vary from a 100% to 70-80% but rarely falls below this. This will compare with other industrial salesmen operating on a commission system where the performance related element rarely exceeds 20-30% (Dunkelds and Caslin 1979, Tack 1982). Car salesmen then should be anxious to sell, particularly at the beginning of the month, because it is not possible for them to live on

their basic pay. A recent survey established that 90% car salesmen receive a basic salary of between £1,500 and £2,500 (Sewells, 1978), yet the average car salesman earns between £8,000 - £11,000 per annum, with good salesmen earning considerably more. The principle, that the purpose of a payment by results system is to link pay directly with performance so that economic gain or losses resulting directly from changes in the individual performance accrued to him, is a more complex idea to implement in practice in the retail motor trade than it would appear to be in theory for three reasons:

- a) There is a sales conflict between maximising the number of units sold or maximising the profit on a sale.
- b) The only behaviour rewarded is the unit sale yet salesmen are required to undertake other tasks such as administration, customer follow-up, etc.
- c) There is a problem in the definition of profit on the sale of a car. It is often necessary to take another car in part-exchange and to write down notionally the part-exchange in order to arrive at a notional profit on the sale.

There are many minor variations in how car salesmen are paid, but essentially they receive a modest basic pay and then a percentage of the retained gross profit on the sale of a car. Theory then predicts that they will optimize income and profit (Farley, 1964). The method of calculation of the retained gross profit varies a little

from dealer to dealer, but on the whole is a common method used in the trade, and is calculated in roughly the same way.

Salesmen appear to like being paid in this way. In a recent survey by the author among 27 Ford salesmen (Table 2:1), 85.1% of the sample liked the system, but when answering the question, "I work harder because I'm paid on a commission basis", only 70% tended to agree. This confirms impressions formed during interviews with car salesmen when no-one was found to dislike the system, most like being paid on a commission basis but were not really convinced that they worked harder or sold more cars because of the method of reward.

One salesman summed up the situation when after being asked why he liked being paid on commission he commented,

I'm a bit torn, because in some respects, I think, it's probably in your hands as to what you can earn. in other words, I can determine myself, if you like, as to how much I earn.

Another confessed, "It's more exciting when you don't know how much you are going to earn a day."

There are a considerable number of problems with the pay system as it is currently implemented. In many dealerships the profit on a deal, and the resultant commission, is influenced by individual bargains struck between the salesman and the sales manager. For example, usually the sales manager has to agree the final and accepted price of the part-exchange. He will sometimes suggest to the salesman, "I will be able to increase the price you allow on this customer's part-exchange if you

Table 2:1

SALESMEN'S ATTITUDES TO BEING PAID ON COMMISSION (n = 27)

QUESTION	Agree Very Much %	Agree %	Neutral %	Disagree %	Disagree Very Much %
I like being paid on commission	51.8	33.3	14.9		
I work harder because I am paid on a commission basis	22.2	48.1	25.9	3.8	
I sell more cars because I am paid on a commission basis	33.3	37.0	18.5	11.2	
I would prefer to be paid on a straight salary basis	11.2	11.2	33.3	29.6	14.7
I would sell just as many cars if I were paid on a straight salary	25.9	11.2	33.3	14.8	14.8

will sacrifice a percentage of your commission." Rather than lose a sale, the salesman will agree.

Factors, other than the salesman's ability to sell, can have a profound affect on his performance and influence his expectation that his efforts to sell will lead to a successful conclusion and so earn an income.

For example, a few years ago the depressed economic climate reduced the market for cars so that each salesman sold fewer cars, and even the high rate of inflation did not compensate for the loss of sales.

More recently, overproduction has lead to discounting and price cutting in a buoyant market. This reduces the profitability on a car and subsequently reduces the sales commission. During June, July and August, 1984, dealers have been selling cars at no profit at all in order to reduce interest costs on stocks held. Obviously, special arrangements are made for the salesman's commission, but it places the commission system under a considerable strain.

The rate of inflation over the last few years has radically changed the proportion between the salesman's basic pay and his commission, with little effort being made to correct any distortions. There is no evidence that this has influenced sales effort, but it is a distorting change in the system.

As comments by the Sales Manager in Appendix B suggest salesmen suffer in that motor trade management appears to have a fear of paying too much commission to successful salesmen.

Management tend to adopt strategies which reduce the pay of successful salesmen. One large dealership has a regulator or charge which can be levied as a cost against the profit of a vehicle before calculating the retained gross profit on which salesmen are paid. As mentioned before, bargains between the sales manager and the salesman on the amount of commission to be paid appear to be common, and the researcher has come across dealerships where the total wage system has been altered because of managerial perceptions that the salesmen are earning too much commission.

Pay and the ability to earn money appear to be of great concern to the car salesman but he has to be fairly quick on his feet to keep up with managerial manipulations of his pay system.

Allocation of Time

Ironically, and in spite of the fact that the salesman is only paid on the number of cars that he sells, comparatively little time is spent in face to face interaction with the customer. When asked, salesman's estimates vary from half an hour a day to two hours a day but rarely exceed one-third of the total time available (see Appendix C).

Nichols (1979) in the course of his sociological study of a change in organisational design in a group of motor companies, undertook two five day diary studies of a car sales department. The study covered the

activities of about 20 salesmen located in five different locations in the North of England (see Table 2:2) and provides confirmation that salesmen's estimates are accurate.

From time to time, attempts are made to increase this face to face interaction on the grounds that if a salesman spends more time talking to customers he is more likely to sell more cars. Individuals are appointed to take routine activities away from salesmen. People are appointed to handle finance and insurance, to handle the clerical aspects of the sale, and sometimes as progress chaser.

TABLE 2:2

RESULTS OF A PRODUCTIVE TIME ANALYSIS IN THE
SALES DEPARTMENT (Nichols 1979:197)

<u>Activity</u>	<u>Period 1</u>	<u>Period 2</u>	<u>% **</u>
Talking/Selling	2.07	2.34	29.3
Prospecting	0.33	0.40	7.6
Telephoning	1.56	0.42	10.2
Collecting Vehicles	0.45	0.48	9.7
Delivery	0.41	0.46	9.1
Clerical Work	0.43	0.48	9.6
Organising Adverts/ Display/Cleaning	0.39	0.42	8.5
Vehicle Valuation	0.22	0.19	4.3
Internal Meetings	0.30	0.18	5.0
Other Activities	0.44	0.21	6.7
TOTAL	8 hrs	8 hrs*	

* These figures total 7 hrs 58 mins - error in original table

** Not included in original research

It is unlikely that any attempt made to increase the amount of face to face interaction with customers will be successful, because the selling process is a complex and an emotionally draining inter-personal relationship. This combined with the fact that the success ratio with even the best salesmen rarely exceeds 25% (that is cars sold to customers seen) so the rate of rejection is very high. Poppleton and Riley (1978) identified this process of rejection as having profound negative affect on a salesman's self-esteem. Consequently, a certain amount of time must be spent in repairing self-esteem in a variety of ways. The practical consequences of this are that salesmen spent time in a number of necessary, but what they regard as mundane, activities. When asked what they did when not selling one salesman commented, (Salesman No 4 Appendix C)

Paperwork, chase cars around in service, or if someone's got a service complaint, looking into it for them, that sort of thing.

Another stated, (Salesman No 5 Appendix C)

Well, there are all sorts of things that, for instance, when I take an order there are always things like checking the stock. I have to cost out the deal that I do. Work out the cost of the car, extras, profit retained. There are workshop instructions to write out. The file generally to look after. Things like appraising the part-exchange, making sure all the details are correct, making sure the fellow brings in his cover note, making sure its ready on time and cleaned. I tend to run them round the block myself to check it out. There are so many things that I have to do that I couldn't really leave to anyone else. If I've got a car going out I have to check it myself.

The job of a car salesman allows him a great deal of latitude and freedom as to how he disposes of his time. The only real constraint is the availability and timing of

customers, management relying on the payment system rather than any process of supervision. Apart from the constraints set by the availability of customers, there are few rules and no-one to tell you what to do and when to do it. When not selling the salesmen follow any one of the activities listed in Nicols (1979) Study, although prospecting has a low credibility one salesman told the researcher,

Call prospecting is very little done now. I used to do it a tremendous amount, but it got very disspiriting because you find that, if I walk into a business office with my card and my briefcase, the secretary/receptionist looks straight away at the rep as you hand the card "Oh, he can't see you now," - eight out of ten say that. You go because you can't get in. You've got to make an appointment, so why waste time going when you can do it by phone just as easily. You can make more appointments on the phone and talk to more people.

A survey of the methods used by a group of successful car salesmen (Lehunte and Reed 1982) showed that none of the 38 salesmen interviewed did any cold canvassing or prospecting and many had an aversion to it.

Bearing in mind that they are recuperating from direct face to face interacting, prospecting in this way is not a salesmans favourite activity!

Much of the salesman's time, which is not spent directly selling, is directed towards ensuring customer satisfaction. He is motivated to ensure the delivery of a vehicle by, if necessary, collecting the precise model required by the customer from another dealer. There is a system of swapping within the dealer network, whereby if a customer demands a certain colour or a certain internal

trim, this can be obtained from another dealer within the franchise network.

They will also chase vehicles through the workshop preparation process, thereby ensuring that it is through the workshop, and delivered on time.

How Do Salesmen Sell?

So far, we have concentrated on the many problems in the sales job and in the sales environment, but we need to look at the actual selling process. Salesmen enjoy selling. One salesman commented (Sales No 5 Appendix C)

Yes, I enjoy it very much - after my last sort of office job. I spent the first five years of my life in a solicitors office. I was bored silly.

Another said,

I've always been interested in selling, so I do like it. I do like meeting the people.

So many salesmen appear to like the personal interaction and the variety of meeting different people all the time.

It would appear that successful salesmen follow a fairly clearly defined selling process (Weitz, 1978). Firstly, they form an accurate impression of the customer by collecting information through observation and by asking direct questions. This information is used in order to categorize customers and to formulate a set of expectations. Car salesmen gain cues from the customer often by looking at the "part-exchange". If this is not available, the customer's dress, body posture and attitude and verbal

comments all act as cues to the categorization process. It would appear that American car salesmen follow a similar process as Brown (1976:41) comments,

The opinions expressed by the salesmen concerning the customers fall into five general categories, each with a resultant and justifiable course of action.

In Brown's (1976) case some of the categories are used to justify 'conning' the customer. For example, a group of American salesmen categorised a group of customers as, "Out to get you," which justified a variety of "con" tactics by the salesmen. However, English salesmen appear to use the system for adapting to the customer and using different sales strategies. Poppleton (1981) suggests that English people often use social class as a basis for categorization but, because there is little training in the process, categorization tend to be idiosyncratic. The salesman quoted earlier (No 6 Appendix C) has an idiosyncratic categorization system for his customers as, "Managing Directors", "Odd women", (that is women who are not housewives but working women) "Whiz Kids," who buy sports cars and, no doubt, has others.

Weitz (1978, 1981b) suggests that information evaluated at the Impression Formation stage, assisted by the system of categorisation, is used to formulate an effective strategy to influence the customer. This is confirmed by Lehunte and Reed (1982) who note that successful salesmen adapt to the customer and make him feel comfortable. They also suggest, after interviews with 38 salesmen, that a successful salesman establishes trust,

takes control of the interaction, limits the information he gives and has a good knowledge of customer psychology. One of the best salesmen in this research (Salesman No 2 Appendix C) adds further confirmation to the idea of the Categorisation/Adaption model of selling when he says,

So there is a lot of psychology to come into it. To understand this individual who rings, who comes into our showroom - to get involved, to get as much information as possible from this individual so I know what his requirements are. Because, once I know what his requirements are I am half-way there, really, to selling the car.

During any stage of the sales process the salesman must be persuasive (Soldow and Thomas, 1984), control the transaction (Busch and Wilson, 1976, Stolte, 1978), and it helps if the salesman expresses views and interests similar to those of the consumer (Woodside and Davenport, 1974). Unlike his popular image the salesman has nothing to gain from telling lies, although as Lehunte and Reed (1982) confirm, he may not volunteer information which he considers would adversely affect the sale. One salesman (Salesman No 6 Appendix C), after confessing that he could be deviant said,

I wouldn't tell an out and out lie, of course the law is so tight now on motor car salesmen on what you can do and what you can't do.

But when asked about explaining potential faults to customers he explained,

If I knew there was a fault on a motor car, sometimes it's better, and I find it easier, if it's a small thing we've got to do under warranty, it's better to point it out to the man there and then and he thinks more of you than letting him find it out for himself. If it is something that he probably wouldn't mention it or something I thought we could get away with I probably wouldn't mention it. I don't know that is a

difficult one.

Another told this researcher,

I don't think I am devious. I can be devious in asking someone for a valuation on their part-exchange because everyone likes to know what they think of their part-exchange and if I can't get an answer out of them sometimes I will give them a really terrible price and that is that. Then they say "You must be joking," and I will say, "Well what is a 77 car worth?" and they will say, "It's a 78" and I say, "Oh, I am sorry." You know, you usually get a reaction then and you can get round it in various ways.

Although not volunteering information that will prejudice the sale of the car seems to be part of the ethos and part of the process of motor car bargaining, all salesmen deny that they will lie about a vehicle. Many consider it more instrumental to point out faults on a car rather than have to deal with them at a later date.

Currently, sales effectiveness is measured by and sales training geared to a series of sales behaviours. This must be a most inadequate method as good salesmen cannot follow a series of sequential steps, but need to adapt to the contingences of the interaction with each individual customer. This process of adaption is necessary for successful selling.

Conclusion

Current models and perspectives of the job of a car salesman held by management and on which many training programmes are based are inaccurate and inadequate. They tend to underestimate the complexity of the selling process and the many environmental constraints.

Selling within the motor trade is, by definition, a bargaining process. This is a most complex social interaction between two unique individuals. It is initiated by the salesman, and the central feature is the persuasive communication regarding the purchase of a car.

The salesman's effectiveness is impaired by a number of external factors amongst which are his stereotypical reputation, customer characteristics, the peculiarity of the 'part-exchange', the pay system and managerial attitudes. Gorley (1976) found in an industrial sales environment a vast gulf between what the authorities were saying and what actually happened in the sales situation. Often the salesman was merely trying to survive an incredibly difficult interaction. Gorley (1976) labels these the two realities of selling (Table 2:3)

TABLE 2:3

THE TWO REALITIES OF SELLING (GORLEY, 1976:183)

<u>Rhetoric</u>	<u>Real Life</u>
The literature of selling	The Salesmen's working Life
Sales Training Literature	within his whole life
Recruitment Advertising	Salesmen's encounter with
Recruitment Process	buyers and others
Sales Meetings	Driving, carrying his bag,
In-Company Sales Training	lunching, waiting, paperwork,
Sales Incentive Competitor	making phone calls
Management Propaganda	Everyday language
Sales Language	

Such a gulf exists in the motor trade today. The manufacturers train according to a sequential process

selling while salesmen actually behave in an adaptive way. Management call for increased sales at increased profits but perpetuate a myth that all salesmen are ineffective or rogues. They pay on a profit dependent system and create an environment where there is no profit on the sale of a car. Manufacturers and management in the motor trade need to recognise the reality of selling, understand the problems and support a programme for enhancing a salesman's status.

Nevertheless, salesmen manage to survive manipulate their environment and even enjoy the job because it provides many of the characteristics of an enriched job (Hackman and Oldham, 1976). The job has autonomy in so far as management rely on the pay system to control and motivate salesmen so there is little supervision. Many salesmen stress this as an important aspect of the job, probably the most important aspect. The job has variety in that they meet different people all the time and can pursue a variety of different tasks. The task is clearly defined and feedback is provided immediately at the end of a customer interaction in the acceptance or rejection of the sale. The quality of performance can be evaluated by the amount of profit and the consequent income on the sale. Car salesmen are young, enthusiastic men doing a far more complex job than their masters realise in a most difficult environment and are managing to succeed and enjoy themselves at the same time.

If this is so then one must wonder what motivates a salesman to superior performance. It is possible to understand that some people become car salesmen because of the type of job - the autonomy and interest. However, some salesmen sell more than others and managers wonder why this should be so. The common belief in the motor trade is that salesmen are motivated by money but that each sets himself a target income or 'comfort' level; other garages have recently abandoned the commission system experimentally to evaluate whether their sales suffer. It is important for managers to know whether car salesmen are motivated to increased performance by the commission system, so that the system may be changed to that which is the most effective.

CHAPTER 3

THE ROLE OF PAY IN MOTIVATION

In order to be able to evaluate whether salesmen are influenced by pay it is first necessary to establish that pay can, and does, influence behaviour. Consequently this chapter does not concern itself with the general issues of motivation most of which have received wide and sustained attention from both organisational researchers and practising managers during recent years. For example Campbell & Pritchard (1976), after classifying motivational theories into Process Theories and Content Theories, give, probably, the most comprehensive recent review of Expectancy Theory. They also critically evaluate the general status of Drive Theories, Need Theories and Equity Theories.

Korman (1977), briefly reviews the current state of a variety of current theories and suggests that they are of limited usefulness, while Mitchell (1979, 1982^C) reviews Job Attitudes and Leadership with an update of Campbell & Pritchards (1976) review of Expectancy Theory, Goal Theory, Equity Theory and Behavioural Theories.

This review is concerned only with the role of pay in motivation and reviews motivational theories only from the perspective of how they deal with pay. In this sense it provides a more recent review in the same vein as that of Opsahl & Dunnette (1966), although the structure and

format is different.

Wide spread interest in pay as a motivational tool began when Frederick Taylor devised a pay system by which,

Each man's wages as far as possible are fixed according to the skill and energy with which he performs his work and not according to the position he fills.
(Taylor 1922:637)

That there "is a" link between pay and performance is one of the principle ideas of Scientific Management. This theory is based on a view of human nature which suggests that workers will put forward extra effort on the job to maximise their personal economic gain. This continued to be the philosophy behind pay theory and practice until the late 1920's when the Hawthorne Studies (Whitehead, 1938, Roethlisberger and Dickson, 1964, Mayo 1975) suggested that the role of pay in work behaviour and performance had been exaggerated and that non-economic motivation, particularly the influence of the social group, were of primary importance.

This paradigm, subsequently called the Human Relations Movement because it focused attention on social groups and relationships in the work place, has dominated research in organisational behaviour for the last 50 years, to such an extent that, until recently, research into the effects of pay have been neglected and although, there is a great deal written on the subject, there is little, hard, empirical evidence of the influence of pay on work behaviour.

Marriott (1957:123) for example, mentions only two

field experimental studies, which manipulated financial reward, apart from the Hawthorne Studies (1964), and this review could find only four such studies since that date (Lawler and Hackman, 1969, Pritchard et al, 1976, Latham et al, 1978, Luthans et al, 1981). The reasons for this lack of field experimental research are the difficult practical problems of interfering in the affairs of a particular organisation together with the moral justification of the need to affect people's lives so fundamentally in the interest of a research hypothesis which may be wrong. As a consequence, some ingenious laboratory experiments have been devised which create a real looking work environment and real looking tasks for a limited period and so simulate reality under controlled conditions (Pritchard and Curts, 1973; London and Oldham, 1976; Terborg and Miller, 1978).

This review is focused on pay. However, it is not considered or argued that the quality of working life, whether in the factory or any other work place, is not an important consideration. Indeed, it is possible to argue morally that the quality of the individuals working life is intrinsically, philosophically, and ethically a factor with which managers should be concerned. However, in spite of major field research (Brown, 1962, Umstot et al, 1976, Walton, 1977, Wall and Lischerson, 1977, Kelly, 1982, Kemp et al, 1983) it has proved difficult to establish empirically links between job enlargement, job enrichment or job satisfaction and those factors which are considered

the responsibility of a working manager, specifically the productive performance of others. Consequently pay becomes of particular interest as it is believed by many managers that by manipulating pay, performance will change.

Hunt (1972) has suggested that the focus of attention on the Human Relations Movement, could be the product of a wealthy society and that a change in economic conditions could easily lead to a change in attitude. Economic conditions have changed and already managers are querying motivational theories propounded by the Human Relations Movement and calling for, "reality centred management" (Stanton, 1983).

The question remains to be answered, how does one account for the differences in performance between individuals? In many car showrooms the best salesmen will often sell two or three times as many cars as the worst, while we are told that in manufacturing jobs the best worker produces three times that of the worst.

Vroom (1960:73) suggests that performance is a combination of ability and motivation, or,

$$\text{Performance} = f (\text{Ability} \times \text{Motivation})$$

While ability does vary, either innately or because of the degree of learning, motivation can vary in response to a whole variety of external and internal influences as it is, 'the degree to which an individual wants and tries hard to do well at a particular task.' (Mitchell 1982c:81)

Some motivational theories and studies conclude

that pay is not a primary motivator, so motivational theories viewed from the pay perspective can be clearly categorised into two groups, (see Table 3:1) those that suggest that pay has little or no influence in motivating performance (which can be called Low Profile Theories) and those which attempt to account for the influence of pay on behaviour by integrating it into the body of the theory (which can be called High Profile Theories).

TABLE 3:1

CLASSIFICATION OF MOTIVATION THEORIES IN RELATION TO PAY

Low Profile

High Profile

Human Relations Movement

Scientific Management

Maslows Hierarchy of Needs

Equity Theory

Her zbergs Two-Factor Theory

Expectancy Theory

A Theory of Achievement Motivation

Goal Theory

Job Re-Design Theories

Low Profile Theories

Hawthorne Studies

The view that the role of pay is overstated as a goal or purpose behind work behaviour, and hence was not a primary motivator, stems from a series of studies undertaken at the Hawthorne Plant of the Western Electric Company by F Roethlisberger, from Harvard, and William J Dickson, the Chief of Employee Relations of the company.

This review of the studies is not intended to be a detailed critique of the entire research (for reviews see Viteles, 1954, Landsberger, 1958, Carey, 1967, Rose, 1975) but only to highlight a number of internal inconsistencies regarding the conclusions drawn about pay as a motivator, and to query the findings using subsequent research and evaluations.

This series of studies evolved from an investigation, at the Hawthorne Plant, into the effect of various levels of illumination on productivity. The curious finding that workers productivity increased or decreased according to their perception of the level of light rather than the actual increase or decrease in illumination led to a more rigorous series of experiments in which the Harvard Business School were involved.

In the Spring of 1927 five employees from the Relay Assembly Test Room were segregated from the main department so that their environment could be more closely controlled and the effect of a variety of experimental manipulations observed more precisely. Subsequently the experimenters altered the pay system (they became part of a group of five on a piece-work system rather than a group of a hundred), changed the rest pauses during day, altered the hours worked and evaluated the effect of fatigue, monotony, temperature and humidity on performance.

Roethlisberger & Dickson (1964:128) regretted that their experiment was complicated by the extra variable of pay but nevertheless tried to identify the effect of the

change in the payment system with two further experiments - The Second Relay Assembly Group and the Mica Splitting Test Room.

In the Second Relay Assembly Group five experienced operators were formed into a special group to be paid separately from the other members of the department. They were not physically segregated from the department and remained under the same supervision. The Mica Splitting Test Room experiment segregated five girls from the rest of the department in an attempt to replicate the physical conditions of the First Relay Assembly Test Room but, as the girls were on an individual piece-work bonus scheme, no change in the payment system could be made.

From these experiments, at the end of their long detailed and complex report, Roethlisberger and Dickson (1964:575) conclude 'None of the results, however, gave the slightest substantiation of the theory that the worker is primarily motivated by economic interests.'

It is difficult to understand how these researchers came to this conclusion from the results of the pay experiments, and, indeed their comments on the results are inconsistent with their conclusions. For example, in both pay experiments, productivity improved; in the First Relay Assembly Test Room experiment by 30% and in the Second Relay Assembly Test Group by 12.6%. In the Second Relay Assembly Test Group when the experimental method of payment was ended productivity decreased. Essentially what happened was that the influence of pay on performance was

made more direct by reducing the size of the working group. Under these conditions, productivity increased. The researchers themselves report of the Second Relay Group, (Roethlisberger and Dickson 1964:130), 'From the curves it can be seen that the output rate for each operator was higher during the experimental period than during the base period.' One would normally conclude, from such evidence, that the experimental manipulation had had an effect. In this case that pay had influenced performance. The researchers say, in the report of the experiment (Roethlisberger & Dickson 1964:133)

In general, the findings from the Second Relay Assembly Group tended to substantiate the hypothesis that the formation of a small group for the purpose of determining piece-work earnings was an important factor in the Relay Assembly Test Room Performance.

This comment is totally inconsistent with the later conclusion that workers are not motivated by economic factors (Roethlisberger & Dickson 1964:575).

From Whiteheads (1938) more detailed account and analysis of the Relay Assembly Test Room it is clear that the girls liked the size of the group because of the link between performance and income. While operator 2 (Whitehead 1938:122) began to urge others to increase their output (and increased her own output) to obtain increased income (her father had been laid off and her family was dependent on her income) and explained that 'I need the money' (April 17, 1928), Whitehead (1938:255), explains this in terms of the group's social structure commenting,

Thus the advantage of a small payment group was that it roughly coincided with a natural size of social group, given the circumstances, and so was a group which could be led and influenced as a whole.

While this may or may not be true, the influence of pay on the performance of this small group seems a more direct, logical and parsimonious explanation of any increase in productivity.

It seems tortuous to ascribe the reasons for any increase in productivity as that resulting from the change in social groupings. Viteles (1954:187) comes to the same conclusion when he says that the performance data

. . . represents evidence ordinarily interpreted as indicative of the direct and favourable influence of financial incentives upon output, and of the operation of economic motives in the industrial situation.

Roethlisberger & Dickson (1964:88), after the First Relay Assembly Test Room experiment, comment that,

The girls came to the company, not to enjoy congenial work surroundings, but to earn as much money as they possibly could. In the test room, an opportunity had been given to them to earn wages more directly in proportion to the effort that they expended. Although they had been on a group piece-work in the regular department the wage incentive had been very slight because the group was so large. In the test room, however, wage incentive became an important factor. The girls were given an opportunity to earn more directly in proportion to effort expended and hence production rose.

They also report (Roethlisberger & Dickson 1964:133) that the experiment in the Second Relay Assembly Group was prematurely terminated because of friction with other workers in the main department who wanted similar consideration. One can only assume that the remaining workers also wanted the opportunity to

increase earnings by having performance more directly related to effort. It is difficult to understand how, on the evidence of interview data with the individuals concerned and the subsequent increase in productivity the researchers can suggest that the girls were motivated specifically by pay and subsequently conclude that pay was not a primary motivating factor. In view of such inconsistency in reporting it is necessary to review the evidence and draw ones own rather different conclusions.

It is also difficult to understand how such unjustified conclusions have been so influential in affecting some academic and managerial opinion for so long, particularly as there has been criticism of the research from when it was published. For example, Gilson (1940) in a scathing review of the Hawthorne research suggests that the elaborate charts mean very little because of the effect of many outside influences on the experimental groups and the small sample size. Certainly a major influence, the economic climate, is not considered as an alternative explanation for behaviour in a number of cases.

Subsequently, Argyle (1953) in a short review of the pay experiments suggested that, although the research was important, many of its conclusions were not justified by the evidence. In particular, that it was not possible, as the researchers suggest, to identify the proportion of pay increase attributable to the pay incentive system because of the inadequacy of the control group. He also suggests

that the results themselves were suspect as two operators from the original five were replaced during the course of the experiment. These criticisms must be valid. The control groups for the pay experiments were the Second Relay Assembly Test Group (where experimental manipulation was prematurely terminated) and the Mica Splitting Test Room, where the task varied so much and the economic climate intruded so much that comparisons need to be heavily qualified, and conclusions difficult to justify.

Regarding the Operators Whitehead (1938:117) tells us that Operators 1a and 2a were continually unco-operative (talked too much, mainly) and in January 1928 were replaced by Operators 1 and 2. While the researchers are quite open about this and identify the particular times and production figures, they do not appear to take this into account in their subsequent discussion and conclusion.

It is also worth remembering that all the generalisations from this research are based on the work patterns and attitudes of five (or more properly seven) young single girls whose average age was 23 years. As Millward (1968) shows they are hardly typical of the general working population in social or economic behaviour, as they depend on their parents economically and socially.

Viteles (1954) also argues that the pay conclusions drawn from the experiments are misinterpreted by the researchers and that firm conclusions regarding the value of incentives or rest pauses cannot be drawn from the results. He points out that the prospect of, 'the

dreaded depression', induced fear and anxiety into the experimental situation, and draws attention to the fact that the control group in the Mica-Splitting room experiment were working on mica of a different specification to the base period necessitating a speculative conversion formula, and making comparisons between the groups speculative.

Landsberger (1958) in his comprehensive review of these studies makes little comment about the pay results. However, he is critical of some of the methodology and omissions from the research. In particular he suggests, it is open to attack on its interpretation of the role of economic security, (fear of the depression) but, on the whole, suggests that the comprehensive evidence available about the effect of the incentive scheme, from both the Relay Test Experiments and the Mica Splitting Room, is confusing.

Many of the conclusions about pay in the research are drawn from the situation in the Bank Wiring Room (Roethlisberger & Dickson 1964:409), where the operatives were on a group wage incentive scheme; the group consisting of the nine wiremen, three solderers and two inspectors - a total in the group payment scheme of 14 workmen (Roethlisberger 1977:47). It would appear that there was a group output norm which had the effect of reducing production, so the researchers conclude that the wage incentive scheme was not motivating performance. Sykes (1965) examined this particular situation in

considerable detail. He established that it is a common belief among workers that increased production leads to increased quotas and reduced piece-rates, and that Western Electric had a procedure for altering loose times. Consequently it would be in the workers long term economic interest to 'control' the rate of production. It is also clear that the influence of the individual in such a large group is diminished so that the effect of the bonus system is reduced because of the size of the group. It is not possible to conclude from the evidence that the workers were not influenced by economic motivation as increased productivity could have resulted in a review of the piece-work times and a subsequent reduction in pay. Yetton (1979) in a mathematical study of several situations where output is 'managed' identifies that, 'Where it is not in the interest of workers to restrict output they do not,' which would suggest that the workers in the Bank Wiring Room considered it in their economic interest to control output.

Carey (1967) undertook a detailed re-examination of the conclusions drawn from the Hawthorne Studies and the evidence reported. In his examination of the First Relay Assembly Test experiment he argues that the researchers conclusions are unjustified, and that it is impossible to identify that proportion of change caused by the various experimental conditions as the rest pauses, incentive scheme and friendly supervision were all introduced at the same time. Neither, he suggests, were there any valid

control groups. However, the researchers themselves were aware of this and suggest only hypotheses from the early report and not conclusions. They go on to verify the pay hypotheses in the Second Relay Group and Mica Splitting Group experiments which act as controls for the first experiment. Carey (1967), as this review and Viteles (1954) do, suggests that the 12.6% increase in productivity during the Second Relay Assembly Test Group experiment and the subsequent 16% reduction on the termination of the experiment, indicates the effect of the pay system on performance. He is particularly dubious about the interpretation of the Mica-Splitting Room experiment, which, even though the payment scheme was not changed, showed an initial increase and a subsequent decrease in production. He, like Argyle (1953) identifies that changes in the task and conditions in the Mica Splitting Test Room make comparisons difficult. He goes on to suggest that it is impossible to compare different types of payment systems, when, of course, provided one uses ratios to measure any increase or decrease in performance valid comparisons can be made. However, this in no way invalidates his main conclusion which is,

The results of these studies far from supporting the various components of the "human relations approach", are surprisingly consistent with a rather old world view about the value of monetary incentives, driving leadership and discipline. It is only by massive and relentless reinterpretation that the evidence is made to yield contrary conclusions. To make these points, is not to claim that the Hawthorne Studies can provide serious support for any such old world view. The limitations of the Hawthorne Studies clearly render them incapable of yielding serious support for any

sort of generalisation whatsoever. (Carey 1967:416)

Parsons (1974) in a detailed review of the studies notes the methodological problems of the control groups and the change in the experimental operators. He also suggests that information feedback could have had an influence on productivity in the experimental groups, as feedback was available to the girls in the small groups, but not to those in the large department where individual productivity was not measured. This is a sensible comment as the influence of feedback on human performance is well known (Fitts & Posner 1973:27) and, while it could easily have influenced performance, the possibility of this as an explanation for the results is not considered by the researchers.

Although in the course of their report (Roethlisberger & Dickson 1964) the figures are quoted, and although Whitehead (1938) presents performance results of the Relay experiments in some detail, there is little or no modern statistical analysis of the Hawthorne Studies. Franke and Kaul (1978) using multiple regression on a time series analysis, and using the original data rather than the Roethlisberger and Dickson (1964) or Whitehead (1938) account have undertaken such an analysis. As a result they suggest that managerial discipline (by which they mean the change in the two operators in the First Relay experiment) and the economic depression are the main variables influencing productive behaviour. According to this analysis the change in the

pay system is identified as an experimental effect but is totally over-shadowed by the two main variables.

It is apparent that the Hawthorne experiments did not establish, empirically, that pay is not a primary motivating force. This review has highlighted a number of inconsistencies in the research reports which suggest that the researchers, at least during the experimental period, were well aware of the effect of pay on the workers, so it is difficult to explain their subsequent conclusions.

Almost from the time it was published the Hawthorne Research has been criticised for the small samples (Gilson 1940), the change of operators (Argyle 1953) and the lack of controls (Argyle 1953, Viteles 1954, Carey 1967, Parsons 1974). Subsequently more sophisticated statistical analysis (Franke & Kaul 1978) has shown that the change in operators and the economic climate had a marked influence on the performance of the experimental groups; yet, in spite of these influential, unbiased, academic opinions the paradigm changed and the Human Relations Movement continued. In view of the insubstantial and inconclusive nature of its origins one must question the concepts of the entire movement.

The Effect of Extrinsic Motivation on Intrinsic Motivation

If as the Hawthorne researchers propounded with some vigour, pay is not a primary motivator, then intrinsic and social factors become increasingly important

as logical alternatives. It would also be of psychological importance to know the effect of external motivation (pay), on such intrinsic motivation and social groupings, which is probably why Deci's (1971) findings, after two laboratory experiments and a field experiment, that there was now empirical evidence to support the view that external rewards reduced the level of intrinsic motivation, received such wide attention.

It is interesting that this distinction between extrinsic and intrinsic factors although of recent interest, is not a new one as Centers and Bugental (1966) interviewed a cross section (n = 692) of the American population and asked questions related to job motivation. They were able to confirm, within the limitations of self-report measures, that at higher occupational levels intrinsic job components (by which they meant opportunities for self expression, interest value in job, and job satisfaction) were more valued than the extrinsic factors of the job, mainly pay. Conversely at lower levels in the occupational hierarchy, extrinsic components were more valued than intrinsic although pay was the most valued job factor at all levels except the highest professional. Neither is it all that easy to define the difference between intrinsic and extrinsic factors in the work context. Dyer and Parker (1975) asked a group of psychologists to classify 21 job outcomes into extrinsic and intrinsic factors. They found some confusion over the meaning of the two words. As a consequence Broedling

(1977) in a brave attempt at defining the terms, suggests that they can be used as a trait, a function of the situation or as a function of the interaction between the two. However, in line with pay research in this area, we will define extrinsic motivation as pay or any other external reward and intrinsic, as internally generated interest or enjoyment for whatever reasons.

Deci(1971) examined the interaction between intrinsic and extrinsic reward in the accomplishment of a task. He undertook two laboratory experiments and one field experiment. In the first laboratory experiment 24 psychology under-graduates (12 experimental and 12 control) were engaged in working a Soma Puzzle which, Deci assumed, is intrinsically interesting. The experimental group were then paid one dollar for each completed configuration. At the end of the experimental period the subjects were allowed eight minutes free time. The amount of time spent working on the puzzle during this free period was measured and used as a measure of motivation, although it could be argued this was more a measure of perseverance than anything else. The second experiment was identical to the first but instead of being paid \$1 for each configuration, verbal reinforcement was used.

At the end of the first experiment it was found that those who had not been paid, played with the puzzle longer during the free period than those who had been paid. However, the group which received verbal reinforcement, continued to play with the puzzle longer than

the control.

A field experiment in which college students were paid 50c for writing headlines for the college newspaper (n = 4) found that performance decreased when payment was removed while it did not decrease in the control group (n=2). From this evidence Deci (1971) concluded that payment for a task which is intrinsically motivating will decrease the level of motivation.

Like the Hawthorne Studies this research has had a wide and powerful affect on managerial and academic belief. It is now considered a mistake to link reward to performance particularly on an interesting task. However, like the Hawthorne Studies this research has interpretational and methodological problems which suggest that any interpretation or generalisation from it should be treated with great caution.

For example, one must question whether the comparatively trivial task (a Soma Puzzle) is a reasonable comparison for the work situation and whether it is possible to accept such a trivial game as intrinsically interesting. Although Deci did undertake a field experiment to confirm his results, the numbers involved (experimental group n = 4, control n = 2), the subjects (college students), the absence of both control and experimental subjects during some periods makes the results very suspect.

A major weakness of this research must be that the dependent measure was interest in the puzzle after the

task had been completed and when neither group was being rewarded. It is difficult to follow the logic behind this. It is not logically possible to conclude that intrinsic motivation during the task has decreased if one measures behaviour after the task.

The magnitude of the payment involved during the experiment must also limit the generalisability of this experiment. It is difficult to conceptualise a transference from the trivial dollar or two earned by students to the vital imperative of an adult earning a living.

A number of attempts have been made to replicate this study but only one has shown total support. Pritchard et al (1977) replicated Deci's study but used a chess problem as the task and measured the amount of time spent on chess problems during the free period as the dependent measure. They confirm Deci's findings that interest declined in the paid group during the free period, but noticed that there were no significant differences in actual performance between the two groups. This latter finding, would suggest that pay had had little effect in this experiment; either because of the magnitude of the amount, a ceiling effect with the task, or perhaps because of the subjects chess ability rather than their motivation. Like the Deci (1971) research the measure of motivation is after the task rather than during the task and generalisations are then made about the task from measurements taken of some other behaviour.

Calder and Staw (1975a) have made a number of

methodological criticisms of Deci's (1971) research. They note that none of the performance data are reported (the dependent measure being behaviour after performance) which makes interpretation of the results difficult. They also note that there is no information about the total amount of the reward paid, so it is difficult to evaluate whether differences are due to contingent or non-contingent factors. Neither is there any information regarding the timing of the payment or whether the subjects expected a reward, often a major factor in motivated behaviour. They suggest that Deci's reporting is, at the least, incomplete and subsequently conclusions drawn from the research cannot be justified from the evidence presented. To some extent Deci et al (1975) accepted these comments and suggested more research in the area was needed to clarify these points.

Calder and Staw (1975b) subsequently demonstrate in a laboratory experiment similar to Deci's with 40 undergraduates working on a different puzzle, that intrinsic and extrinsic motivation interact but suggest that this may not always be the case.

Scott (1975) is also critical of the methodology of Deci's (1971) study. After commenting on the difficulties of defining intrinsic and extrinsic motivation, he is critical of the appropriateness of the statistics Deci (1971) used. He also suggests that there could be experimenter bias as the experimenter was not blind to the various conditions. These criticisms must be valid, if a

little pedantic, for a seasoned experimenter. The most significant criticism is that the experimental procedures constitute a powerful conditioning procedure. Although one can understand that the instructions alter subjects expectations, it is not clear why this is a conditioning procedure. Reinforcement is not apparent in all conditions, and the timing of the reward is not mentioned. Consequently it is difficult to evaluate the validity of this criticism.

It would appear logical that whether rewards interact, are additive or detract from each other could depend on the nature of the task. While money may detract from the intrinsic satisfaction of a monk in a monastery, it could enhance the intrinsic satisfaction for car salesmen. Kruglanski et al (1975a) and Kruglanski et al (1975b) test this hypothesis in a series of laboratory experiments on school children. They replicate Deci's (1971) experiment conceptually, but use tasks defined as of high and low intrinsic interest, and tasks in which money is intrinsic to the task. To some extent they are able to confirm Deci's (1971) results but they also confirm that when money is intrinsic to the task itself payment enhances motivation and does not reduce it. This finding makes a considerable difference to the idea of generalising Deci's (1971) finding to the commercial world where one can assume that money is intrinsic to the task and so contingent reward should enhance intrinsic motivation not reduce it.

Farr (1976) also investigates whether the effect of pay on motivation is dependent on task characteristics with a conceptual replication of Deci's (1971) study. He varied the experimental task according to the characteristics suggested by Hackman and Oldham (1976) to include a boring task (low intrinsic) and an enriched task (one that has variety, autonomy, task identity and feedback). His experimental results refute the Deci (1971) hypothesis that pay reduces intrinsic motivation as performance in the contingent-pay interesting task condition improved. However, it could be argued that as all experimental subjects (n = 90 psychology undergraduates) were paid and that payment was intrinsic to the task that Kruglanski et al (1975, 1975b) provide a more complete explanation of the phenomena. Nevertheless, this experiment clearly demonstrates that motivation for a task which has all the characteristics of a job enriched task can be enhanced by pay which is contingent on performance.

Hamner and Foster (1975) are among those researchers who are critical of Deci's (1971) experimental methodology. They suggest that the Soma Puzzle is a task which cannot be used to measure motivation, and comment that the dependent measure should be performance during the task rather than behaviour in the free period after the task. Subsequently, in a conceptual replication of Deci's (1971) experiment with 98 organisational behaviour undergraduates, the task was manipulated to be boring or interesting (the interesting task involved a survey of sexual attitudes) a no-

pay control group was incorporated and performance was measured. The results of this study fail to support Deci's (1971) theory regarding the affect of externally mediated monetary rewards on motivation. On the contrary they tend to suggest that extrinsic and intrinsic motivation could be additive in nature. The results of this study tend to be more convincing because the experimental design is more rigorous. Using a two by three factorial design (a boring and interesting task in a pay, contingent pay and no pay condition) the researchers measured performance during the task and checked that the manipulations had been successful. The results show that performance in the interesting task did not appear to be influenced by pay while performance in the boring task was affected by making pay contingent on results. From this it is possible to argue that, although the contingent pay plan did not raise the performance of subjects in the interesting condition it did raise performance in the boring condition compared to the no pay and non-contingent conditions. This is a strong indication of a pay effect in the boring condition and no influence (or decrease in motivation) in the interesting task, contradicting Deci's (1971) hypothesis.

Brennon and Glover (1980) replicated the Deci (1971) study as nearly as possible. They used a Soma Puzzle as the task, but incorporated a base line measure (an eight minute wait at the beginning of the experiment) and a control group (three unstructured eight minute waiting

periods with access to the puzzle if interested). Unfortunately, they did not use money as the extrinsic reward for the 58 psychology undergraduates, but in the experimental condition offered ten examination points for an eight minute work period. The points were not contingent on any performance standard. The results from this experiment totally refute those of Deci (1971) as extrinsic reward in the form of examination points did not reduce the intrinsic interest in the puzzle in the eight minutes after the experimental period. However, one must wonder whether, if money were used as the reward, the results might have been different. It is difficult to evaluate how students valued the ten examination points, but it seems likely that students would value money more than examination points unless they were very borderline.

The effect of an extrinsic reward on intrinsic motivation does not appear to be as clear cut as Deci (1971) suggests and it does raise the interesting question of whether one extrinsic reward has an effect on another extrinsic reward. This issue was the subject of an experiment by Porac and Salancik (1981) who, using 39 male undergraduates, manipulated a boring task (scoring a computer form) into a money payment condition, a money plus exam credit condition, and a control condition. Like Deci (1971) they used as the dependent measure a period of free activity on the task after the experiment. The results indicate that one extrinsic reward can reduce the incentive value of another, but that pay, when not under-

mined, was an important incentive to performance. To some extent this latter finding supports Deci's (1971) hypothesis although one would expect interest in a boring task to reduce after the specified completion period.

In his research, Deci (1971) has attempted to establish that theoretically pay should not be contingent on the performance of an interesting task, as for example in job enriched work, as motivation will then decrease. It is not possible to draw this generalisation from the results with which Deci (1971) presents us. His research has a number of methodological and interpretational problems. Other experiments which have conceptually, or specifically replicated Deci's (1971) suggest that the nature of the task, the context and the type of reward, are important variables which affect whether the two types of reward interact, detract from each other or are additive. Some experiments totally refute Deci's (1971) findings. The issue is confused, but apart from showing that the influence of pay on a task is more complex than originally thought, this body of research confirms rather than denies that pay has an important effect in enhancing performance on a task.

Need Theories

With the abandonment of the theory of scientific management including its basic hypothesis that the individual will optimize his economic interests, researchers in the human relations tradition were left to explain motivation

in individuals differently. A number suggest that performance on a task is motivated by some kind of individual internal need and that activity is generated by a cognitive or biological necessity to satisfy that need.

The basic structure of the need satisfaction model is quite simple. It posits that people have basic, stable and comparatively enduring attributes which include biological, social and cognitive needs. Much of the research is based on the Freudian concepts of latent and manifest needs subsequently refined and defined by Murray (1938). Murray believed that the total personality could be defined in terms of individual needs whether they were physiological or learned. Murray (1938) identified in enormous detail a number of needs and proposed a system of interaction between them. It is suggested that jobs have a number of attributes which may (or more often do not) fulfill a number of specific and relevant needs. This paradigm dominated managerial thinking during the 1960's but recent research is difficult to find. Mitchell (1979:252) has suggested that this is probably a general trend in social psychology.

There can be a great number of needs which make up the total personality and motivation of the individual. Murray (1938) specified 44 needs, (20 manifest needs, 8 latent needs, 4 internal states and 12 attributes), but the need models which have dominated organisational and occupational psychology research are those of Maslow (1943), McClelland (1961) and Herzberg et al (1967).

Maslow's Hierarchy of Needs

Due largely to the efforts of McGregor (1961) the concepts and the theories of Maslow's (1943) model are probably the most widely known of all motivational theories amongst practising managers. Maslow (1943, 1954) in a deceptively simple theory, suggests that certain needs are arranged in a hierarchical order and that each need motivates behaviour until it becomes satisfied, then it loses its power to motivate.

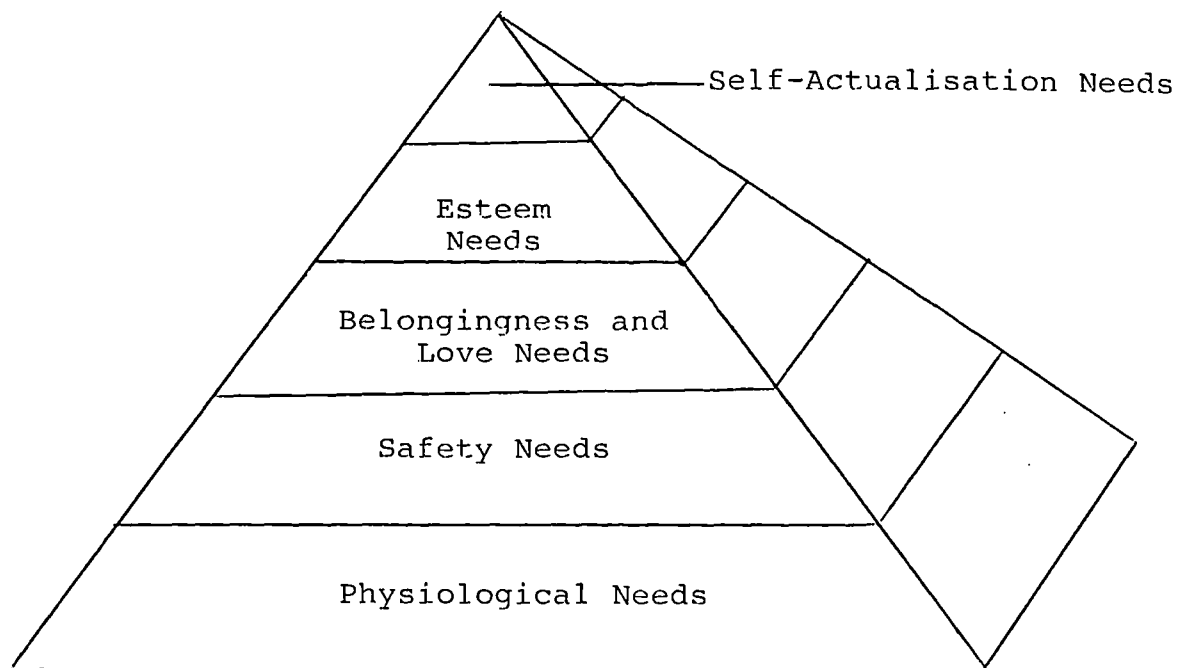
He specifies these five needs, physiological needs, safety needs, belongingness needs, self-esteem needs and self actualisation needs, (as indicated in Figure 3:1), and suggests that once the lower order needs are satisfied then people move up hierarchy to the next need in sequence. Using the principle of Maslow's (1943) needs, McGregor (1961) devises his managerial theory 'Y' which recommends a managerial style which enables individuals to fulfill the highest possible level of need. Pay in this theory merely serves merely to satisfy physiological needs and has no role in motivating behaviour. As McGregor (1961:24) states,

Economic rewards are certainly important, to the professional, but there is ample research to demonstrate that they do not provide the primary incentive to peak performance.

On the contrary, pay is implicitly despised and the implication is that jobs with a high intrinsic motivational content are somehow better than those with low intrinsic content. As Maslow (1965) says, one way of

FIGURE 3:1

A REPRESENTATION OF MASLOW'S HIERARCHY OF NEEDS



showing that money is not important is, 'That there are now people in our society who cannot be won away to another job by offering them more money unless it is a huge increase in money.' A cynic could be forgiven for suggesting that this is evidence, not for any change in human attitudes, but that wealth alters the magnitude of the amount needed to influence behaviour.

The practical principles derived from this philosophy have been implemented by consultants in a variety of organisations; for example, Taylor (1972) reports 13 case studies, of major organisational changes in commercial organisations in line with the theory.

Unfortunately, although this is an ethically attractive theory, it has received little empirical support in the work context.

Wahba and Bridwell (1976) in a review of the relevant research, are able to find no studies which can identify all five specific needs as independent factors although some identified self-actualisation as an independent factor. Two studies showed no support for the theory at all, and could not identify the need categories.

It is hardly surprising that such a precisely defined sequential theory of such loosely defined, often unoperationalisable constructs, should like so many of Freud's theories defy empirical verification. For example Maslow's (1942:260) definition of self-esteem as interchangeable with Dominance seems different from the variety of self-evaluation, phenomenological definitions suggested

by Tharanou (1979), which is the commonly accepted view of the concept.

Talking of the complete model, Maslow (1970:xii) himself, in his preface to *Motivation and Personality* (1970) said, 'I have not yet thought of a good way to put it to the test in the laboratory.'

Alderfer (1969) building on Maslow's concepts, but recognising the conceptual difficulties, suggests categorizing needs, but not hierarchally, into Existence Needs, Relatedness Needs, and Growth Needs (ERG). He then attempted to identify, by means of a questionnaire, the existence of these needs in 110 bank employees and compare them with the specific progression through the need hierarchy detailed by Maslow (1943; 1954). He could find no evidence to suggest that satisfaction of one need leads to the next level. For example, in this study pay satisfaction (a physiological need) was, 'moderate at best,' yet there is evidence that belongingness needs are satisfied. As a result, Alderfer (1969:171) suggests the classification of needs into Existence, Relatedness and Growth categories together with all stages being active at the same time as more practical modification of the Need Hierarchy Theory.

Lawler and Porter (1963) attempted to establish the role of pay in the theory (which seems to regard pay as an unfortunate necessity in any work situation and concludes that it serves only to fulfil lower order needs). In a survey of 1913 managers, the researchers establish that pay does not satisfy only a single need in the individual

but rather serves to satisfy a variety of needs, including security and self-esteem needs.

Although there is little recent research, Marsh (1978) proposes an extension of the theory by including time, both present and future, as another dimension. It seems an ingenious idea but he does not make any suggestion as to how to operationalise the concepts or to test them empirically.

The evidence suggests that, although popular, Maslow's (1943) model has very little empirical verification and, because of the problems of definition of such concepts as 'self-actualisation' is unlikely to be developed further. It is also clear that pay not only serves to satisfy physiological needs but has a much more complex interaction with many human needs, including, if the construct exists, self-actualisation.

Herzberg's Two Factor Theory

A different classification of needs is suggested by Herzberg et al (1967). They classify work needs into extrinsic and intrinsic, labelling extrinsic need as 'hygiene' needs whose role is to act as a 'satisfier' (or dissatisfier) and intrinsic needs as active motivators. Herzberg et al (1967) then argue that only the intrinsic factors lead to job satisfaction, while extrinsic factors are at best, neutral and at worst can result in dissatisfaction. This is an important distinction as the theory clearly suggests that the causes of satisfaction and

dissatisfaction are separate and different.

As with Maslow's (1943) theory, the ultimate motivator is self-actualisation, and job satisfaction can (they suggest hopefully) lead to increased performance on the job. They comment:-

Motivators fit the need for creativity, the hygiene factors satisfy the need for fair treatment, and it is thus that the appropriate incentive must be present to achieve the desired job attitude and job performance.

Pay according to this theory is a 'hygiene' factor which cannot lead to or cause job satisfaction or act as a motivator. To account for the anomaly of the recognised success of performance incentive schemes in improving productivity, Herzberg et al (1967:117) says,

Money thus earned as a direct reward for outstanding individual performance, is as reinforcement of the motivators of recognition and achievement.

This comment demonstrates a certain inconsistency in the theory which can say in one breath that money cannot motivate, and in the other, suggest that when it does it is merely reinforcing other motivators.

Although this theory has stimulated much research most of it is concerned with job attitudes, job enrichment and job satisfaction. Not surprisingly little of it is concerned with pay and performance and so is not reviewed here.

However, shortly after the theory was prepared several researchers were critical of both the concepts involved and the methodology of the research. Wall and Stephenson (1970) undertook a critical evaluation of the

theory which they suggest is, to some extent, ambiguous. They give four interpretations of the basic premise that hygiene factors can cause dissatisfaction while motivators cause satisfaction and go on to give a fairly comprehensive review of a number of supporting and non-supporting studies. They notice that the studies in support of the Two Factor Theory use the same methodology (a critical incident analysis) while those using different methodology do not support the theory. This would suggest that the separation of the two factors is an artefact of the methodology of the research. Their own study demonstrates that a strong relationship does exist between the need to respond in a socially acceptable manner and responses to the Two Factor Theory.

Soliman (1970) attempts to reconcile the theory with more traditional theories by correlating scores from the traditional job satisfaction questionnaires with scores derived from the same subjects using the critical incident method favoured by Herzberg et al (1967). There was no correlation, indicating that the Herzberg et al (1967) results were an artefact of the methodology.

Both these studies provide strong evidence that the two factor theory was not accurate in separating job attributes into satisfiers and dissatisfiers, and it would therefore be inaccurate to conclude from this research that pay merely satisfied lower order needs. The role of pay in motivation is more complex than that.

McClelland (1961) - A Theory of Achievement Motivation

One of the problems of both these need theories is the difficulty of conceptualising, operationalising and measuring the construct defined as a need. In one specific area - need for achievement (nAch) - this has happened.

It would appear that either naturally or through some form of socialization, some individuals have a desire to master nature, to be leaders of men, or to succeed and achieve in our society generally. A number of researchers based at the University of Michigan and headed by David McClelland have defined the characteristics of the achieving person and developed a Theory of Achievement Motivation (Atkinson and Feather, 1966).

nAchievement, is a trait which spans theoretical boundaries in that it suggests that an individual evaluating a specific task forms expectancies, and that the particular goal should have an attractive valence. These constructs are similar to those of Expectancy Theory (Vroom, 1964) and Goal Theory (Locke, 1968). The achieving individual has a sense of being responsible for an outcome; an idea like that of the theories of Locus of Control (Rotter, 1966; Lefcourt, 1973) and attribution theory (Weiner, 1974). Such individuals have a motive to achieve success with the complimentary motive to avoid failure. They prefer intermediate risk situations (Atkinson, 1964:242). The attributes of the trait are

well documented and well researched (Atkinson and Feather, 1966; Atkinson, 1964).

In its original formulation it was concluded that people with high nAchievement were not influenced by money but by the intrinsic nAchievement: on the other hand people low in nAchievement are influenced by money and can be made to work harder for external incentives. However, the model was refined (Atkinson 1964:241) and it is now accepted that the strength of the achievement motive will vary depending on the incentive value of success. It seems more than possible that those with a high nAchievement are influenced by the probability of financial reward. Morgan (1966) demonstrates, in a survey of a representative sample of the American population (n = 3000), that those with high nAchievement are more likely to be supervisors, three times more likely to have a high status occupation and earned significantly more income.

Because those possessing this trait prefer moderate level risks and have a high desire for income (possibly as a measure of achievement) pay has become an important part of the theory. These two aspects of the model suggest that pay should be contingent on task performance in order to motivate. In its original formulation this is a Low Profile Theory but it has evolved into a High Profile Theory.

Job Satisfaction

One of the problems with the need theories of both Maslow (1943) and Herzberg et al (1967) is the difficulty in defining and operationalising the constructs. While it is fairly simple to define physiological needs, the definition of self-esteem is not quite so straightforward (Maslow 1942, Wells and Marwell 1976:7, Tharenou 1979:317) and the problems of measurement make research in the area difficult. Self actualization, an important construct in both these theories as well as being a phenomenological construct tends to have different meanings to different individuals, so only the affective (or emotional) aspects can be measured. Are high levels of job satisfaction indicative of self actualization in the work place? Possibly, but if they are, the facets which cause satisfaction (and lead to a feeling of self actualization) need not necessarily be the same for everyone. Some individuals need responsibilities, others avoid it, both with equal degrees of satisfaction.

Using the basic concepts of these theories (and with the ethical and social orientation of the Hawthorne Studies) a body of research has emerged which concerns itself with the individuals quality of working life and the enrichment of jobs. Whether one can view the theory as a motivational theory is open to debate as the theories do not suggest that they predict behaviour leading towards enhancing performance. Indeed, they are not reviewed in

several motivational reviews (Campbell and Pritchard, 1976; Mitchell, 1979). There is, however, a common managerial belief that job satisfaction does lead to improved job performance (or increased motivation). For example, Jackson and Mindell (1980) comment,

Not only is this relationship between job satisfaction and work related values important in determining employee motivation, at a more basic level it becomes critical because it directly impacts on productivity and profitability.

There is an enormous amount of research on job satisfaction (for reviews Locke, 1969; Cameron, 1973; Locke, 1976; Locke, 1984). The purpose here is purely to establish that the link between job satisfaction and performance is, at best, tenuous and, at worst, that job satisfaction is a consequence of job performance and so it cannot be regarded as a motivator.

Reviews suggest (Locke, 1969; Cameron, 1973:23; Locke 1976:1332) that although Herzberg et al (1967) and Jackson & Mindell (1980) assume that job satisfaction will lead to enhanced work performance, there is little evidence to explain that the relationship, even if it exists, is causal. Locke (1970) argues that as job satisfaction is an evaluation of the various facets of the job, the effect must be that job performance influences job satisfaction and that only in so far as satisfactory performance will encourage, and dissatisfactory performance discourage, further effort, the effect is interactive. This suggests a theoretical orientation that performance must lead to satisfaction rather than the reverse.

Further confirmation is supplied by Cherrington, Reitz and Scott (1971), who in a laboratory study, (n = 90 undergraduates) study this interaction of satisfaction, performance and payment. They establish that the relationship between satisfaction and performance is dependent on the reward contingencies, but as the reward in the experiment is not contingent on the task, they do not argue that performance causes satisfaction.

Also, Schwab (1974) after a large scale field study of nearly 300 workers, concluded that incentive pay systems can improve productivity, while having a negative impact on employee job satisfaction. Comparing three groups, one on piece-work, one on a group incentive and another on hourly rates, he reported job satisfaction highest amongst the hourly paid workers, while the piece-work group had the highest level of motivation and productivity. However, as productivity was not measured objectively and only a self report measure of the level of motivation was used, the results should be treated with some caution.

A more definitive piece of research was undertaken by Sheriden and Slocum (1975) who in a longitudinal field study lasting a year (of 35 managers and 59 machine operators), attempted to establish the direction of causality. Their results indicate that changes in job satisfaction were significantly related to performance in machine operators, but not in the managers. As the design measured satisfaction at two points in time, used cross lagged correlational procedures and, for the machine

operators, objective measures of performance, the study provides strong evidence that the direction of causality is that performance results in satisfaction.

Bagozzi (1978) also attempted to establish the direction of causality between job satisfaction and performance, but used statistical causal modelling techniques rather than a longitudinal research design. Nevertheless, in a field study of 122 salesmen measuring task specific self-esteem, general self-esteem, motivation and verbal intelligence, as well as job satisfaction and using objective performance measures (sales volume) he was able to conclude, 'Thus, support exists for the proposition hypothesising the greater the performance the greater the job satisfaction.'

This evidence alone would suggest that there is no reason to think job satisfaction motivates behaviour to enhance performance. On the contrary, there is some tentative evidence (as well as a sound theoretical justification) that performance leads to job satisfaction. As there is a clearly established link between pay and performance it seems probable that pay, particularly when linked with performance, is a major determinant of job satisfaction.

Job Re-Design

In spite of what is becoming a generally accepted view of job satisfaction, research (based not only on the implied assumption that job satisfaction enhances perform-

ance or has a positive financial benefit (Mirvis and Lawler, 1977), but with the moral conviction that individuals deserve a high quality of working life,) into the effects of job re-design has flourished.

It is clear from the methodological and interpretational criticisms of Herzberg's theory that it is inadequate to serve as a model for practical application.

Hackman and Oldham (1976) who also consider that the socio-technical system approach is limited, suggest a comprehensive model of motivation through job re-design. The term job re-design and job enrichment seem to be used inter-changeably in much of the literature but for this purpose the definition suggested by Wall (1982) will be used. He suggests,

Job re-design refers to the deliberate attempt, . . . to organise the work of individuals or groups in such a way as to provide greater complexity with respect to one or more of the following characteristics: variety, autonomy and completeness of task . . .

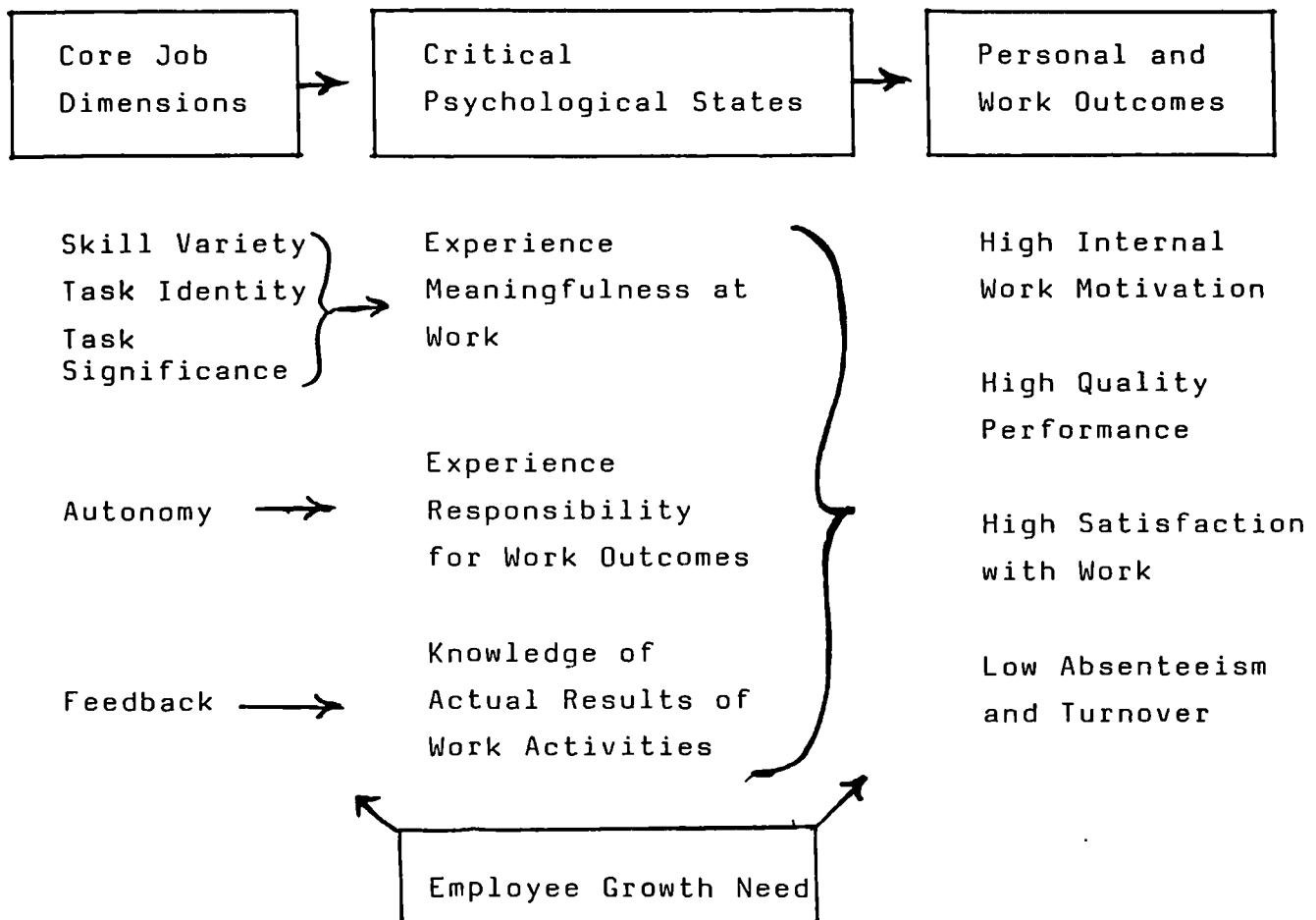
The characteristics mentioned derive from Hackman and Oldham (1976) model which suggests that five core job characteristics lead to three psychological states which have four personal and work outcomes. (Figure 3:2)

It is significant that although the model claims to be a motivational model, it does not predict quantity of production only quality. The model was tested on 658 employees in 62 different jobs and the predicted relationship was established by questionnaire and correlation. Pay plays no vital part in this theory. It could be argued that the theory suggests pay should be directly

FIGURE 3:2

The Job Characteristics Model of Work Motivation

(Hackman and Oldham 1976:256)



linked with performance in order to act as meaningful feedback, but the feedback utilised in the theory is normally assumed to be purely knowledge of results.

Umstot et al (1976) in a carefully controlled and ingenious piece of research which combined the control of a laboratory experiment with the realism of a field experiment, compared the affects of goal setting and job enrichment in a simulated works situation. Using 100 subjects, they varied the task along the characteristics suggested by Hackman and Oldham (1976) and set goals. The results provide strong, fairly clear, evidence that job enrichment improved job satisfaction, but had little effect on productivity. However, goal setting had a major impact on productivity.

Kemp et al (1983) report a quasi-experimental field study of a Greenfield site, where, because of the particular situation experimental manipulation and control groups were clearly available. They observed and measured the effect of autonomous work groups, the assumption being that groups of workers in autonomous work groups perceive higher levels of work complexity (ie variety, task identity, feedback and autonomy). Again, the results showed clear evidence that job satisfaction was at a higher level but no effect was found for those factors which managers are trying to control; motivation, organisation commitment or mental health.

Farh and Scott (1983) looked more specifically at the effects of autonomy on performance. Autonomy (one of

Hackman and Oldham's (1976) core dimensions) was manipulated in a laboratory experiment (using as subjects 60 undergraduates) by varying it on four levels using a proof reading task. It was found that high levels of autonomy had a negative affect on the rate of productivity and no affect on the quality of the task. Clearly this is against the predictions of the job enrichment model, although Hackman and Oldham (1976) do not predict quantity only quality.

Even where performance improvements have been reported it could be a mistake to infer causality. Kelly (1978) suggests that the autonomy granted in work groups is comparatively limited and that the role of pay in much of the research reported is understated. In particular he undertakes a re-analysis of the Ahmadabad Textile Mill Study (Rice, 1953). Kelly (1978) stresses that simultaneously with the re-organisation of work groups to provide more variety, autonomy and responsibility the basic rates of pay were increased and the workers transferred to an incentive payment system. The improvement in productivity was impressive but, on the evidence, it would be a mistake to ascribe any increase to the changed work system when pay could also have worked as an incentive.

These are four empirical studies which demonstrate fairly strongly that although job re-design may be morally and socially right, it probably has a financial cost and will not necessarily be the causal factor in any increase in productivity. If a manager is looking to increase

production the techniques and methods of job re-design are not going to be helpful.

In the traditions of the Human Relations Movement, where pay has a low profile, payment systems suggested by many of those concerned with job enrichment, are the group value-added schemes. The argument is that workers should participate in the results of any increase in production, but that direct payment on individual results could be stressful and ineffective. A number of case studies have been reported in major organisations such as British Aerospace, Distillers Company Limited, GKN Lincoln Electric Limited (IDS 1979), a white goods manufacturer, a manufacturing company (Staples, 1981), and an industrial electrical components factory (Ghobadian, 1981). And while it is suggested that co-operation improves no increases in productivity are reported.

Bearing in mind that there is ample evidence that group schemes disperse the individual feeling of responsibility (Campbell 1952, Buck 1957, Roethlisberger and Dickson 1964) and the problem that the mechanics of the scheme are so complex that even the accountants find the relationship between production and payment difficult to follow, this result is hardly surprising.

Conclusion about Low Profile Theories

The Human Relations Movement has been the ethos of much managerial, consultancy and academic thinking since the 1940's. Its concepts have resulted in Glacier Metal

Company Limited abandoning their piece-work payment schemes (Brown, 1962); in a number of companies advised by Linda King Taylor (Taylor, 1972) restructuring their organisation, to improve participation, increase autonomy and reduce the profile of the payment system; in General Foods, restructuring the jobs of the work force in one of their plants at Topeka (Walton, 1977); in Volvo, re-organising the way people work in their plant at Kalmar (Gyllenhammar, 1979) and many others; yet although these changes have involved these organisations in a great deal of cost, there is little empirical evidence that either the organisation or for that matter the individual worker has received much benefit. One can not help but sympathise when Fein (1979:499) comments, 'The simple truth is that there are no data which show that re-structuring and enriching jobs will raise the will to work,' or to agree when he suggests that the vast majority of workers seek fulfillment outside of their work.

High Profile Theories

Introduction

When managers are looking for practical techniques and advice on how to improve productivity, then they need to look to the more limited if more pragmatic theories of Goal Setting (Locke, 1968), Equity Theory (Adams, 1963) or Expectancy Theory (Vroom, 1964). In all of these theories, pay has a high profile and is integrated as a causal, motivational factor.

Need theories make the assumption that man is motivated by deep internal needs and are concerned with the content of these needs, his emotions and attitudes, while other theories are more concerned with trying to explain the process of motivation and make the assumption that man is a cognitive being with at least a sense of subjective rationality. One of the first motivational theories which assumed that man was a rational and economic being was propounded by Frederick Taylor and became known as Scientific Management.

Scientific Management

The pioneers of the scientific management, in the early years of this century when industrialists were still evaluating the recent revolution sought the answer to two practical problems endemic in industry at that time, how to increase industrial production and how to increase the level of worker motivation. Taylor (1922) suggested his answer, not only from the basis of theoretical concepts but from his practical experience as a labourer and manager in a steel workshop. He observed that management were unable to improve production because of their ignorance of the details of the job. He became aware of the existence and the rationale behind why workers restrict output, a feature of the work place much discussed by the Hawthorne researchers, (Roethlisberger & Dickson 1964).

The principles of scientific management (for review see Thompson, 1922; Kelly, 1982) are similar to those propounded by classical economic theorists. They assume:

1. Man is rational and concerned with maximising his economic gain.
2. Each individual responds to economic incentives as an isolated individual.
3. People are motivated in a similar and standard way.

Taylor (1922 Para 44) subsequently developed time and motion study for analysing individual jobs into components, hence a system for costing production, and for use as a basis for rate fixing on a piece-work payment system. The piece-work pay system is fundamental to the practise of scientific management because it assumes the individual will respond and maximise his economic gain, although workers are considered to be quite capable of manipulating the system to maximise long term rather than short term economic gain. Taylor (1922:637) claimed seven advantages for his system of scientific management:

1. Costs are reduced and wages are higher
2. Because rate fixing is fair, workers will not fiddle the system
3. Men are treated with greater uniformity and justice
4. It is in both the interests of men and management to attain maximum quantity and best quality
5. Maximum productivity is achieved rapidly and maintained by the system

6. It selects the best men and selects out lazy men
7. "One of the chief advantages derived from the above effects of the system, is that it promotes a most friendly feeling between men and their employers and so renders labour unions and strikes *unnecessary*"
(Taylor 1922:638)

The final advantage (quoted in full) is particularly important as evidence to refute the allegation that the theory is inhuman and insensitive to individual needs. Taylor believed that by coinciding the objectives of the individual and the organisation, everyone including employees would benefit and that his system would promote harmonious industrial relations.

Taylor (1922) and his theory had been severely criticised and the concepts totally repudiated by the Human Relations Movement. Because of industrial trouble in implementing this theory in a government workshop, Taylor was called upon to explain and justify the theory before a congressional committee, and in 1915, the US Congress passed a law forbidding the use of any timing device to measure work performance in a government plant.

Those who advocate the Human Relations approach regard this concept of man as being motivated by money alone to demean human dignity. These views appear to be seen from the philosophical perspective that those who value money are tainted by it and must, somehow, have less ethical values. After all does not the Bible say,
". . . the love of money is the root of all evil,"

(Timothy, 6:10) and does not Marx (Frankel 1977:19) consider,

Money abuses all the Gods of mankind and changes them into commodities. It has, therefore, deprived the whole world, both the human world and nature, of their own proper value. Money is the alienated essence of man's work and existence. This essence dominates him and he worships it.

The rejection of money as a motivator by the Human Relations movement stems from Mayo's (1975) philosophy. Mayo (1975) rejects economic theory generally and, citing the Hawthorne studies as evidence, concludes,

It is at least evident that the economists' presupposition of individual self-preservation as a motive, and logic as an instrument, is not characteristic of the industrial facts ordinarily encountered. (Mayo 1975:39).

These ideas are reminiscent of the 'return to nature' and the 'good old days' concepts propounded by the Green movement today. Mayo (1975) appears to want to reject the whole industrial and material society.

It is an exaggeration to suggest that Taylor saw man in his totality as being motivated by money. For example, he regards one of the responsibilities of management to select people,

. . . with a view to finding out his limitation on the one hand, but even more important, his possibilities for development on the other hand; and then as deliberately and systematically to train and help this workman, giving him wherever possible, opportunities for advancement which will finally enable him to do the highest and most interesting and most profitable class of work for which his natural abilities fit him. (Taylor, 1922).

One can see similarities between this view and Maslow's (1943) concept of self actualization. However,

Taylor's concern was with man in the workplace and in this context he did regard money as being a primary motivating factor.

His systems are said to de-humanize, to treat individuals as work units and to ignore all the other factors discovered during the course of the Hawthorne researches. Scott and Hart (1971) compared his philosophy with that of the philosopher, Thomas Hobbs, who believed that the natural state of man was chaos and that man had a natural propensity for evil. These views and comparisons tend to exaggerate the philosophy of scientific management or over simplify or ignore many of its concepts. A number of researchers have sprung to Taylor's defence. Fry (1976) argued that Taylor's principles were misunderstood, while Locke (1982) after a detailed review of Taylorism and the criticisms of scientific management concludes, 'Taylor's views, not only were essentially correct but have been well accepted by management.'
(Locke 1982:22)

To a large extent this is true. The literature shows that Taylorism and its principles are very much alive, being recommended and put to practice by today's managers. For example, Denzler (1974) is critical of the procedures of job enrichment, pointing out the inconclusive nature of the evidence from the studies at Ford and, basing his arguments on a survey among 2,535 sewing machine operators, suggests a return to the principles of scientific management.

Shapiro and Wahba (1974) basing their argument on research among 200 employees in a steel company, conclude

that the employees appear to be motivated by money to do what is a basically unsatisfying job, thereby confirming the view of Scientific Management.

Piamonte (1980) exhorts America's Personnel Managers to link rewards to performance and to ensure that each employee knows exactly what is expected of him and has the requisite skill, knowledge and ability to handle the job.

Jenkins and Gupta (1983) in a philosophical analysis of traditional and innovative incentive systems suggest that money can still be used to motivate employees and it would seem probable that Taylor would accept their caveat that context and the specific job need to be taken into account.

In spite of the propaganda of McGregor (1961), Argyris (1962) and Mayo (1975) the professional managers views are synthesised by Mark Spade (Nigel Balchin, 1950:66) who wrote:

Don't, I implore you run away with the idea that people will do anything for money. They won't. Only the other day I heard a very eminent person say with some surprise, that he had discovered that men won't work themselves to death even to earn £4 a week. On the other hand, all the books on incentives agree, albeit with gentle regret, that if you want a man to work harder the easiest way to get him to do it is to offer him more money.

This, then, is the perspective of Scientific Management but the philosophy of the Human Relations movement has so clouded the issue that it is worth examining the evidence in some detail to establish whether the assumption of economic rationality is justified. Locke (1983) is among those who think so, as his review of 53

studies of motivational methodology and research (see Table 3:2) shows:

TABLE 3:2

Summary of Studies Comparing Four Motivational Techniques

<u>Technique</u>	<u>No of Studies</u>	<u>Median Increase</u>	<u>% Showing Some Increase</u>	<u>Range</u>
Money	10	+ 30%	100%	+ 3 to 49%
Goal Setting	17	+ 16%	100%	+ 2 to 57%
Participation	16	+ 0.5%	50%	- 24 to 47%
Job Enrichment	10	+ 8.75%	90%	- 1 to 61%

From this table it would appear that money has a major influence on productivity. This view is supported by a variety of evidence some of which stems from research in the 1920's and 1930's. At that time there was a concern for identifying the effect of monotonous and repetitive work on both the individual and his subsequent productivity. In the United Kingdom the Industrial Fatigue Research Board undertook a number of studies investigating and evaluating, scientifically and systematically the variables which were the concern of the Hawthorne Researchers - monotony, rest pauses, illumination and the general physical conditions of work.

It is difficult to understand why the results of such research are ignored when the Hawthorne Studies are widely quoted. Perhaps if the Industrial Fatigue Research Board had employed a PR executive as good as Elton Mayo this would not have happened.

One report from the Board examined the effect of pay on performance (Burnett, 1925). This experimental study had three objectives - to observe the effects of repetitive work on people of different intelligence, to observe the effect of rest pauses on output and to compare the effects of time-rate and piece-rate on output. With this in mind a work room was set up and four girls, with varying intelligence, were given the task of sewing coarse thread onto canvas. For eight weeks the girls were paid a time rate and for six weeks were paid on a piece-rate basis. The researchers report (Burnett 1925:13), that the immediate effect of adopting the piece-rate system was an average increase in output of 7.2% at the end of the first week rising to 18% at the end of the second week, and an increase of between 7.9% and 10.8% was maintained.

Although the sample is small and there are no comparative groups to control for extraneous variables this seems a strong indication that pay influenced production.

Some time later (Wyatt et al 1934) undertook a field experiment which, like the Hawthorne studies, separated a group of girls from the main factory and altered their pay from a time rate (eight weeks) to a bonus rate (fifteen weeks) and then on to a piece-rate system. Figure 3:3 shows the effect on output of the different systems. The results are obvious - when the bonus scheme was introduced productivity increased by 46%

FIGURE 3:4

EFFECTS OF DIFFERENT SYSTEMS OF PAYMENT ON RATE OF IMPROVEMENT

(Wyatt et al 1934:5)



and increased by a further 30% with the introduction of a piece-rate.

This is a field experiment, with ten girls working in a room separate from the main factory. The task was wrapping, packing and unwrapping sweets and control groups of workers in the main factory were used, ' . . . lest it should be thought that the tendencies observed in the present experiment were exceptional,' (Wyatt et al 1934:7). Consequently this establishes strong evidence that, at least in a repetitive task, money influences performance and that linking pay to performance enhances performance.

Since that time empirical field studies which experimentally manipulate pay, money or a financial reward have been rare. The Hawthorne Studies (Whitehead, 1938; Roethlisberger and Dickson, 1964; Mayo, 1975) contain an account of the experimental manipulation of direct wages, and although the researchers conclude to the contrary, these researches do provide some evidence that pay influences behaviour and enhances performance.

Lawler and Hackman (1969) as will be reported later, designed a field experiment which established that the effect of participation in the design of an incentive system can effect attendance. However, they did not look at the effect of pay on any other aspects of performance.

Pritchard et al (1976) in an experimental study based on Expectancy Theory manipulated a variety of incentives in a group of American service trainees. The

detail of the experiment is reviewed in the Expectancy Theory section but they did establish that financial incentives appear to influence performance.

Latham et al (1978) manipulated a financial reward in a goal setting field experiment, where the financial manipulation is of secondary consideration to the main manipulation of participative and assigned goal setting, and so the experiment is reviewed in detail in that section. However, the experiment did establish that pay and goal setting influence productivity separately and that monetary incentives produce significantly higher performance than other incentives.

Luthans et al (1981) also obtained significant performance and behavioural changes in a field experiment with a group of 82 shop assistants. Manipulating a variety of rewards which consisted of time-off, cash instead of time off or a paid vacation the researchers measured, (as a performance measure), a variety of behavioural changes, defined as improving customer satisfaction. These behaviour changes were noted by an observer to be present in the Experimental Group during the experimental period, but were not observed in the control group. Although this study does demonstrate a link between sales behaviour and financially based reward it is not possible infer any pay to performance effects in this research, as pay was not manipulated.

In all experimental field studies where financial reward has been manipulated behaviour has changed in the

predicted direction to enhance performance for the sake of increased money. In the two studies where pay has been manipulated performance and productivity have increased substantially and so provide strong, if not recent, evidence that people generally will change behaviour for a financial reward.

Unfortunately, none of the recent field studies manipulated pay directly or looked at the effect of pay as an incentive on performance. For ethical reasons most research in the area is investigative and correlational. For example, Campbell (1952) obtained data sheet performance and pay among different size work groups in an industrial organisation. These results, interpreted after interviews with the work force, suggest that productivity (and pay) increases as the size of the groups decrease. They also found that in large groups a high proportion of the men did not have a *knowledge of* their results and its effect on their earnings, and so it could be expected that output would be lower than in a small group who could see their results directly. Such phenomenon could partly account for the effect of pay on performance found during the Hawthorne studies when the size of the work group was reduced from 100 to five, and is suggested as an explanation by those researchers.

Buck (1957) in a similar study obtained data from a Railway Carriage works. Here the groups of workers varied from eight to over 40.

Taking advantage of a naturally occurring change in the pay system the researchers observed and quantified the effect of the change on four groups, over some time. There was a clear indication that the effect of the change to a piece-work system was more marked in small groups than in large ones. It would seem logical and intuitively plausible that when an individual perceived his effort more clearly linked to improved pay, his subjective expectancies increase as the size of the group decreases and so his performance should improve. These two studies provide some empirical evidence to support this view.

Millward (1968) examined the role of pay in a group of young women working in a factory. She encountered an interesting phenomenon. Apparently, until the age of eighteen, (or until they get engaged) young girls in the Manchester factory gave their entire pay packet to their mother. Consequently, their interest in pay and response to the pay system is minimal. When they go 'on board' (that is become financially self-supporting) the incentive bonus scheme seems to operate to improve productivity. This is an area which is much neglected in research and a great deal more is needed to try and uncover how and why money has an effect on behaviour, once it is established that money does have such an effect, particularly as several studies use young girls as subjects and then generalise to the working population.

Lawler and Hackman (1969) in one of the very few field experiments examine the influence of participation.

in the preparation of an incentive pay plan on subsequent behaviour. Three autonomous work groups of office cleaners developed their own pay plan which was designed to reward good attendance. These plans were then imposed on other groups whose performance was then compared with the performance of control groups. In the experimental condition attendance improved from 88% to 94% of scheduled hours while no change in attendance was observed in the imposed plan condition or in the control groups. This study provides strong evidence that participation in the development of ones own pay plan (eg menu pay plans) has a strong motivational force. Schefflen et al (1971) collected data from the same groups one year after the original had been installed. Management had dropped the incentive plan for two of the three participative groups with the result that attendance in those groups had dropped to below pre-treatment levels. In the remaining experimental group attendance continued at 93% indicating that participation in the development of a pay plan had a lasting effect. This research provides strong evidence that pay does effect and influence behaviour.

It is evident that pay does influence behaviour so it becomes important for companies to identify those behaviours which it wishes to reward. Many companies do not appear to relate pay to behaviour and so there are problems. For example, Kerr (1975) gives examples of the influence of pay schemes on behaviour in two organisations - one an industrial company and the other an insurance

firm. By means of a questionnaire and interviews he established that behaviours which top managers regard as disfunctional were those that the lower level employees claimed were being rewarded. It is clear that the firms studied were not able to identify which behaviour they wanted to reward and subsequently did not reward those vital unseen and often informal aspects of the business which make it work effectively. They rewarded, as do so many companies, attendance and tenure rather than performance and effectiveness.

Heneman (1973) provides further evidence to support the view that in many organisations pay is not related to any performance criteria. He correlated the performance evaluations of a group of managers with pay levels and pay changes over the next two years. There was no correlation between performance and general pay level, however managers with the best performance tended to get larger increases. In this company the relationship between pay and performance, in general, was tenuous.

Further evidence that pay which is contingent on performance can enhance performance comes from a laboratory study by Farr (1976). He paid 144 undergraduates for sorting out computer cards according to two incentive systems; an individual incentive (piece-work) and a group incentive. He found that in both the group incentive condition and individual incentive condition, performance was significantly better than in the no incentive control condition.

Much research in the pay area is neither experimental nor empirical. Nevertheless these case studies, surveys and reviews enhance our knowledge about the general influence of pay and managers perceptions of the influence of pay. For example, Lloyd (1976) reviewed the operation of incentive schemes in 245 organisations in the United Kingdom. The survey covered managerial perceptions of the schemes rather than any objective evaluation, consequently 42% of the incentive schemes are judged subjectively to be very successful and 53% partially successful, with little evidence being given to substantiate these claims. The principal reason for operating incentive schemes appears to be to increase output. The survey also looked at the communication of incentive schemes to employees and discovered plenty of room for misunderstanding and mis-information to occur. The survey concludes (Lloyd 1976:6),

Communication of incentive schemes to employees is poor. Companies encountered difficulties both in terms of putting across the underlying principles of the scheme and simplifying the operating details so that employees are able to relate their efforts to their reward.

If communication about incentive schemes is so bad one wonders whether this is the reason that pay systems designed to enhance performance sometimes fail.

Thorpe (1980) examined the relationship between pay and productivity in a large engineering company. He suggests that pay systems fall into two groups. Those designed to increase productivity and those designed to facilitate organisational change. This researcher clearly

influenced by Maslow and Herzberg (Thorpe 1980:10) desperately searches for explanations for his findings when the production dropped from a performance index of 105% under piece-work conditions to 65% under day work. He explains that on one production line production increased because of a 'good mix' of workers, as if this would compensate in some way, and using different performance criteria suggests that productivity subsequently improved.

This case study approach can and does often highlight a number of real and practical problems with payment schemes. Such a study is the comprehensive review of the introduction of incentive schemes into the British Coal Mining Industry (Clarke, 1980). Bearing in mind the many disputes with miners such research seems particularly relevant in establishing a basis of fact, even if these need interpretation, rather the rhetoric and propaganda put out by both sides during a dispute.

In 1971, the National Coal Board had a national uniform day wage pay structure which minimised geographical differences and differentials between underground workers and surface workers. In 1972, after a general review of the pay system, the NUM and the board decided on the need for an incentive system. After a period of bargaining most pits were put onto a productivity bonus incentive scheme by January 1977. On the introduction of the scheme

production of coal increased to a record 2.36 tonnes per week. Although such record levels were not sustained a general increase of 5% was observed and a reversal of the steady decline in production. However, the board did not consider the scheme successful as the level of increased productivity did not compensate for the sharp increase in pay. Because of the complexity of the situation the many factors affecting production (mechanisation, pit closures, etc) and because only national figures are quoted it is not possible to establish an unambiguous relationship between the incentive scheme and productivity.

In a similar vein, and during the period 1977 to 1980, Bowey et al (1982) researched the effects of the implementation of incentive schemes in the United Kingdom. This is a comprehensive, sociological evaluation of the way incentive and productivity schemes were implemented during the Government's various wage freezes when only productivity linked pay agreements were allowed.

This group of researchers clearly hold the view (Bowey et al 1982:8) that the effect of an incentive system is contingent on the context and other environmental factors. They suggest 11 such factors necessary for an effective system. Their survey covered 63 firms employing 662 people, mostly in manufacturing companies and reviewed a variety of bonus and piece-work schemes which had a variety of objectives. Sometimes the objective was not to increase productivity but to increase the earnings of employees in times of rapid inflation and a wage policy.

The researchers did not obtain objective measures of performance but do report that only 68% of firms reported an improvement in efficiency and productivity although 85% reported an increase in employee earnings. Presumably a fairly substantial number implemented incentive schemes which increased earnings but which did not improve productivity. One reason for this could be, as the researchers report, that many of the schemes were hastily thrown together to meet a particular and peculiar environmental need.

A similar, if less comprehensive, survey was undertaken by DeLoitte, Haskins and Sells (Moulder and Murray, 1980). It confirms the problems of communication and design reported by Lloyd (1978), in a sample of 16 audit clients. It reports companies where the measure of productivity was sales, while the majority of employees receiving the bonus had no influence on sales and accepted any subsequent payment as a gratuitous distribution. They are critical of their clients implementing a value-added scheme where employees do not identify their behaviour with the value added - a particular problem with this type of scheme.

A number of studies have found that the link between pay and work behaviour rewarded is often tenuous (Heneman 1973, Kerr 1975), and that communication about the system is ineffective (Lloyd 1976, Bowey et al 1982). One way to resolve this problem is suggested by Cummings (1984) and Storich (1984), who suggest that the system of

pay and reward should be integrated into the organisational system and culture. Storich (1984) points out that the reward system sends powerful signals to employees and that it should be directed at strategic goals. He proposes a model which would enable organisations to select measurement and compensation systems compatible with organisational philosophy. Cummings (1984) identifies five stages in an organisational life cycle and suggests a variety of compensation components which can be manipulated according to the stage of growth and organisational imperatives. He quotes case studies of organisations which have conservative cultures (with salaries and long promotional time horizons) taking over an entrepreneurial company with growth, production and performance as imperatives (with payment by results systems). Clearly the organisational environment, culture and objectives will be a major factor in determining a pay system and a mismatch between the culture and an appropriate system could cause problems.

It is clear from this research that there is some empirical evidence to suggest that people will enhance economic gain by changing performance and behaviour in response to the pay system. The experimental field studies (Burnett 1925, Wyatt et al 1934) give strong evidence of this. Few studies suggest, as the Human Relations movement would have you believe, that pay is not an important influence. So far, the literature reviewed has addressed the simple problem of, 'Does pay influence behaviour and performance,' however, some research, which

is theory based, attempts to establish how and why pay affects behaviour and productivity. Such a theory is Equity Theory.

Equity Theory

Research in this area is concerned almost entirely with predicting the effect of pay on performance (Patchens 1961, Adams 1963). Equity Theory is a social exchange theory based on the principles of cognitive dissonance. Festinger (1954, 1957) suggests that beliefs and attitudes are changed by considering the relationship between two or more cognitive elements. Elements (beliefs or attitudes) are considered to be dissonant if the conclusion derived from one would preclude believing the other. For example, 'I like smoking' and 'I know that smoking causes lung cancer', are dissonant. The theory argues that attitudes are altered in a variety of ways in order that an individual can maintain a sense of cognitive consistency.

Adams and Rosenbaum (1962), Adams (1963, 1965) apply these principles to workers perception of wages and suggest that a sense of inequity exists when a worker perceives the relationship between his inputs, (effort, skill or expertise), and the outcome (pay, extrinsic, intrinsic rewards) are out of balance. When such an imbalance exists, people take steps to reduce it. Adams (1963), in a series of three laboratory experiments with undergraduates working as interviewers, demonstrates experimentally that when subjects perceive themselves to

be overpaid they will improve productivity and so improve the cognitive balance, or when paid by piece-work, will reduce productivity to maintain consistency.

The theory predicts that people will correct an imbalance in their perceptions of equity in a variety of ways. The options open to an individual are to act on others to change their inputs or outcomes, change ones own inputs or outcomes, change the comparison other, or to abandon the exchange relationship.

Consequently, in an inequitable pay situation, individuals will, if they feel overpaid, increase their effort (and productivity) to maintain consistency, and if underpaid will reduce effort. However, with a piece-work system increased effort will mean increased earnings and so in the overpayment situation a greater sense of inequity. In this situation effort (and earnings) will decrease but quality may improve.

This theory has generated a large amount of experimental activity, most of which deals purely with the effect of pay on the productivity of the individual (for reviews see Pritchard, 1969; Mowday, 1979).

The research can be criticised methodologically because the manipulation of equity involves telling experimental subjects that they are unqualified for a particular task. The argument is that this reduces the subjects self-esteem, rather than produce a feeling of inequity with a subsequent effect on production caused by lower self-esteem.

The theory is also unclear about who should be or

is used as a referent or a comparison other. This question is generally regarded as important, although it could be argued that, as a sense of inequity exists, the accuracy of this perception or the source of this perception is irrelevant.

However, Goodman (1972) in an interview questionnaire study of 217 managers examined seven possible referent situations. He established that people appear to use multiple referents; a combination of self, other and the organisational system. The exception appeared to be professionally qualified people who, as might be expected, used more outside referents.

Pritchard (1969) after reviewing 13 studies, (three of which were those of Adams and his associates) concludes that the predicted effects of underpayment were supported by the evidence but that the effects of overpayment were far from clear, mainly because of the difficulty of contamination by the self-esteem effect.

Lawler (1968) discusses the four possible inequitable payment situations (overpayment, underpayment, contingent and non-contingent) and suggests that Equity Theory provides an incomplete explanation of the phenomena. He concludes that a combination of Equity Theory and Expectancy Theory can provide a more comprehensive explanation of human behaviour, and to some extent Equity Theory has been subsequently incorporated into Expectancy Theory models (Lawler, 1971).

Mowday (1979) in his review found only six more studies than Pritchard (1969). This would indicate that interest in the pure theory had declined, and its concepts integrated into other theories.

Pritchard et al (1972) undertook an impressive field/laboratory experiment designed to test the theory's predictions of overpayment (without the contaminant of self-esteem) and underpayment. Using 253 college students working in a simulated company (the students thought the company was real) the researchers were able to manipulate pay and observe quality and quantity affects on a computer print out sorting task. It is a pity that in such a well manipulated and well controlled experiment the results are not more conclusive. Although the results were in the predicted direction they were not significant, and Pritchard et al (1972), as does Lawler (1968) suggest that Equity and Expectancy Theory combined could provide a more comprehensive explanation of human behaviour in this context.

Evans and Molinari (1970) in a laboratory study not reviewed by Mowday (1979) examine the problem of experimentally induced inequity in a condition of job insecurity. They demonstrate experimentally (N = 32) that Equity Theory predictions of high quality, low quantity, production for overpaid subjects, were confirmed, but for subjects under conditions of high job insecurity (they were working for a probationary period to be confirmed on satisfactory

performance) both overpaid and underpaid subjects produced high quantity, low quality work. This would indicate that the simple predictions of Equity Theory are inadequate in the explanation of behaviour in more complex situations.

Finn and Lee (1972) in a questionnaire study of 170 employees in the Federal Public Health Service were able to separate the subjects into those who perceived themselves to be inequitably paid. This research established that in an organisational setting perceptions of inequity derive from performance evaluations, while equity perceptions were based on age, tenure and maturity factors.

Further research took advantage of a naturally occurring wage freeze in an industrial company. (Marks and Mirvis, 1981), and after establishing that pay increases below the rate of inflation induced feelings of inequity (compared internally and externally) and reduced pay satisfaction, could find no evidence in a work situation that performance or people leaving the organisation altered in any way. This would, again, confirm that simple perceptions of equity can not explain behaviour in a complex environment.

It is clear that the concept of equity, or as Jaques (1967) calls it Felt Fair Pay, is an important one. However, the experimental predictions of the Adams (1963) theory are just not clearly and empirically verified. Presumably, for this reason, interest in the theory has declined. Lawler (1968), however, has suggested that

Equity Theory and Expectancy Theory are not inconsistent with each other and others (Lawler, 1973; Campbell and Pritchard, 1976) have suggested that equity considerations could be (and subsequently have been) subsumed under the more comprehensive and general Expectancy Theories of motivation.

Although the early promise of Equity Theory as an explanation for behaviour in response to pay has not been fulfilled, it continues to be necessary to try and establish an explanation for motivated behaviour. Other theories have been more successful in predicting behaviour although the link with pay sometimes becomes less clear. One such theory is Goal Theory (Locke, 1968).

Goal Theory

Implicit in the many definitions of motivation are two general factors. Firstly, that there is some force which makes people behave in a particular way and secondly that there is some purpose or goal to their behaviour.

Locke (1968) in a clear and explicit formulation suggests that it is the goal itself or 'what the individual is trying to do' that determines performance on a task. From this theory and the research it has been established that specific goals result in better performance than general or no goals; that difficult goals result in a higher level of performance than easy goals and that goals formulated by and accepted by the individual, result in a greater level of achievement than assigned goals.

To summarize the theory, it is stated that the most immediate determinant of successful task performance is the individual goal or intention; that external incentives affect action through their effect on these goals and that satisfaction (or otherwise) is the result of an evaluation of actual achievement against goals planned. It is worth noting that many of these concepts are also fundamental to the theory of Scientific Management.

The theory has stimulated a great deal of research which attempts to establish and confirm the precise effect of goal difficulty, specificity or other factors on performance (for reviews see Latham and Yuki, 1975; Locke et al, 1981). The theory in its original formulation (Locke, 1968:174) suggests that money can act to encourage workers to accept tasks they would not otherwise accept and to ensure goal acceptance. Locke et al (1968) reports five experimental studies to test this hypothesis using as subjects local undergraduates. The five experiments tested piece-work, hourly incentives and variable incentives on a variety of simple tasks. None of the studies found any effect for pay on performance, except through goal acceptance.

Pritchard and Curts (1973) point out that these results contrast with predictions and research from other theories, and suggest that the magnitude of the amounts paid could have affected the experiment. Using 81 undergraduates in a conceptual replication of the Locke et al (1968) study, Pritchard and Curts (1973) manipulate a

variety of levels of pay (50 cents to \$3). They found that performance in the high pay condition was significantly higher than in the other conditions and that different levels of incentive did produce different levels of performance. It is clear from this experiment that the effects of goal setting and the effects of the financial incentives are separate.

London and Oldham (1976) examine the particular type of incentive system on performance, together with the interaction between levels of goal difficulty. In a laboratory experiment using 180 undergraduates with a two by three factorial design, they were able to identify an independent effect for pay in the piece-rate incentive condition over the fixed rate condition. However, interestingly enough there was no difference in performance between the no pay (but goal) condition and the piece-rate condition which would suggest that goal setting can result in a better performance where pay is not involved.

Terborg and Miller (1978) argue that when testing for the effects of goal or pay on performance, one should examine the motivational processes more closely by measuring or monitoring observable behaviour. Using 60 undergraduates in a laboratory experiment, these researchers manipulated pay and goal conditions and photographed behaviour. They too discovered that the method of payment and goal setting independently effected motivation and performance, but were able to assess that payment effected quantity performance and effort whereas

goal setting effected quantity, quality of performance and direction of behaviour. Both effort and direction of behaviour were operationalised ingeniously from an analysis of the filmed behaviour.

Latham et al (1978) explored the affect of financial and other extrinsic rewards as well as participative goal setting in a field experimental study where the subjects were 76 engineers/scientists. They manipulated the method of goal setting as well as three types of reward to give a two by three factorial design. Although goal acceptance did not appear to be affected by anticipated monetary reward, job performance was improved by expected financial reward, establishing in a real life setting that financial incentives have a separate effect on task performance, from goal setting.

Mowen et al (1981) were concerned that goal performance depended not only on goal difficulty but also, where it applied, on the type of incentive system. If high goals were set with a bonus system the expectancy of achieving the goal might be low and subsequent performance low; whereas a high goal with a piece-rate system should lead to high performance as total effort is rewarded. Using 124 undergraduates in an arithmetic task the researchers manipulated three levels of goal difficulty (low, medium and high) and two incentive systems (bonus on achievement of goal and piece-rate). With a piece-rate system, performance was highest in the difficult goal condition whereas with bonus system, performance was lowest in the

difficult goal conditions. This difference was significant. The lessons for incentive scheme designs are clear - piece-work systems which reward all effort should result in higher performance, and that goals which are too difficult will be rejected regardless of the incentive. It is theoretically interesting that goals and incentives interact (at least in some conditions) and that goal setting can enhance performance motivated by a performance contingent piece-work type incentive.

Examining the interaction of the goal and payment system in greater depth Campbell (1984) manipulated a no-pay system, a non-contingent hourly pay system and a contingent pay system with easy and difficult goals. An interesting facet of this laboratory experiment using 56 undergraduates as subjects was that it attempted to make the task more representative of a complex managerial task by using a computer simulated business game. The results show significant differences in performance between conditions with the contingent pay showing the best performance.

It is clear from most of the studies of pay in the goal setting context that pay and goal setting influence performance separately. The two studies by Mowen et al (1981) and Campbell (1984) suggest that they can interact and that goal setting can enhance the effect of a performance contingent pay system provided that all effort is rewarded (such as in a piece-work or commission system).

Locke (1981) refuses to accept that money has an

independent effect but has altered his original formulation to take account of some of the recent evidence. He now suggests that,

. . . money may arouse the willingness to expend more effort to attain a given objective than not offering money. In terms of Expectancy Theory monetary rewards endowed goal success with a higher valence.

While such a comment may explain the results of Mowen et al (1981) and Campbell (1984), it does not provide an explanation of the influence of money on performance when there is no specific goal. However, the concepts of goal theory, because they are fundamental to any definition of motivation have, to a greater or lesser degree, had an influence on all other motivational theories (Locke, 1977).

In spite of Locke's (1981) reformulation, the research in the areas is fairly clear. Goal setting does have an effect on task performance but money also has independently an effect on performance which may (or may not) enhance goal setting.

It would appear that those who accept the principles of Scientific Management have their views confirmed and that experimentally and practically money does have an influence on performance. However, neither Equity Theory research nor Goal Theory research provide a satisfactory explanation for the influence of pay in a complex situation. A theory which attempts a more comprehensive explanation is Expectancy Theory.

Expectancy Theory

A problem with many of motivational theories

mentioned so far is that they focus on one particular cause, and assume that everyone, to a greater or lesser degree, is influenced by that particular need or that peculiar, simple process. As a consequence the power to predict a variety of behaviour is constrained by the limitations of the concept. Goal theory does not account for irrational or emotional behaviour as it lacks order or purpose, while need theories by definition are limited to behaviour satisfying that particular need and can not fully account for continuing behaviour after the particular need has been satisfied. A more general theory (or more properly body of theories) which have formed the basis for models for research in a variety of psychological areas is Expectancy Theory.

Expectancy theory is based on ideas put forward by Lewin (1951) who proposed a cognitive model of behaviour. The basic structure of this is the psychological field, a concept similar to the totality of conscious perception. He suggests that behaviour is instigated by a psychological force (similar to a vector) which has magnitude and direction. He calls this a 'valence'. This idea, together with the concept of 'expectation', deriving from the work of Tolman (1948), (who suggests that choices and alternatives are decided according to the individuals expectations of the anticipated consequence) formed the basis of Expectancy Theory.

Stated simply Expectancy Theory suggests that behaviour is the function of the strength of the desire

for a behavioural outcome (valence) together with the estimated subjective probability expectation of achieving that outcome. As a general theory it has formed the basic model for research in a variety of areas. Rotter (Phares 1976, Lefcourt 1982) formulated his Locus of Control theory in Expectancy Theory terms and integrates its concepts in Social Learning Theory. Atkinson (1964) regards his theory of achievement motivation as an Expectancy Theory which Fishbein and Ajzen (1975) are clearly influenced by in their formulation of a theory of beliefs and attitudes, although they suggest the consequence is an intention to behave and point out the problems of intention leading to actual behaviour. Decision theorists call it the subjective expected utility model (Edwards, 1961) and research in development of the decision theory model continues. The original formulation of Expectancy Theory in the area of organisational psychology was put forward by Vroom (1964).

Vroom (1964) is very precise in his formulation of the theory. He defines valence as the 'affective orientations towards particular outcomes,' from which it follows that a motive is an outcome towards which a person has a positive valence. People acquire valence for a particular action in relation to the ends which that action serves or the 'instrumentality' of the action towards achieving a particular outcome. Consequently, Vroom (1964:17) can state,

The valence of an outcome to a person is a monotonically increasing function of the algebraic sum of the products of the valences of all other outcomes and his conception of its instrumentality for the attainment of these other outcomes.

He defines expectancy as '. . . a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome' and suggests that the strength of expectancies can vary from zero to negative or positive certainty. There appears to be little difference between expectancy as defined by Vroom (1964:15) and the concept of subjective probability.

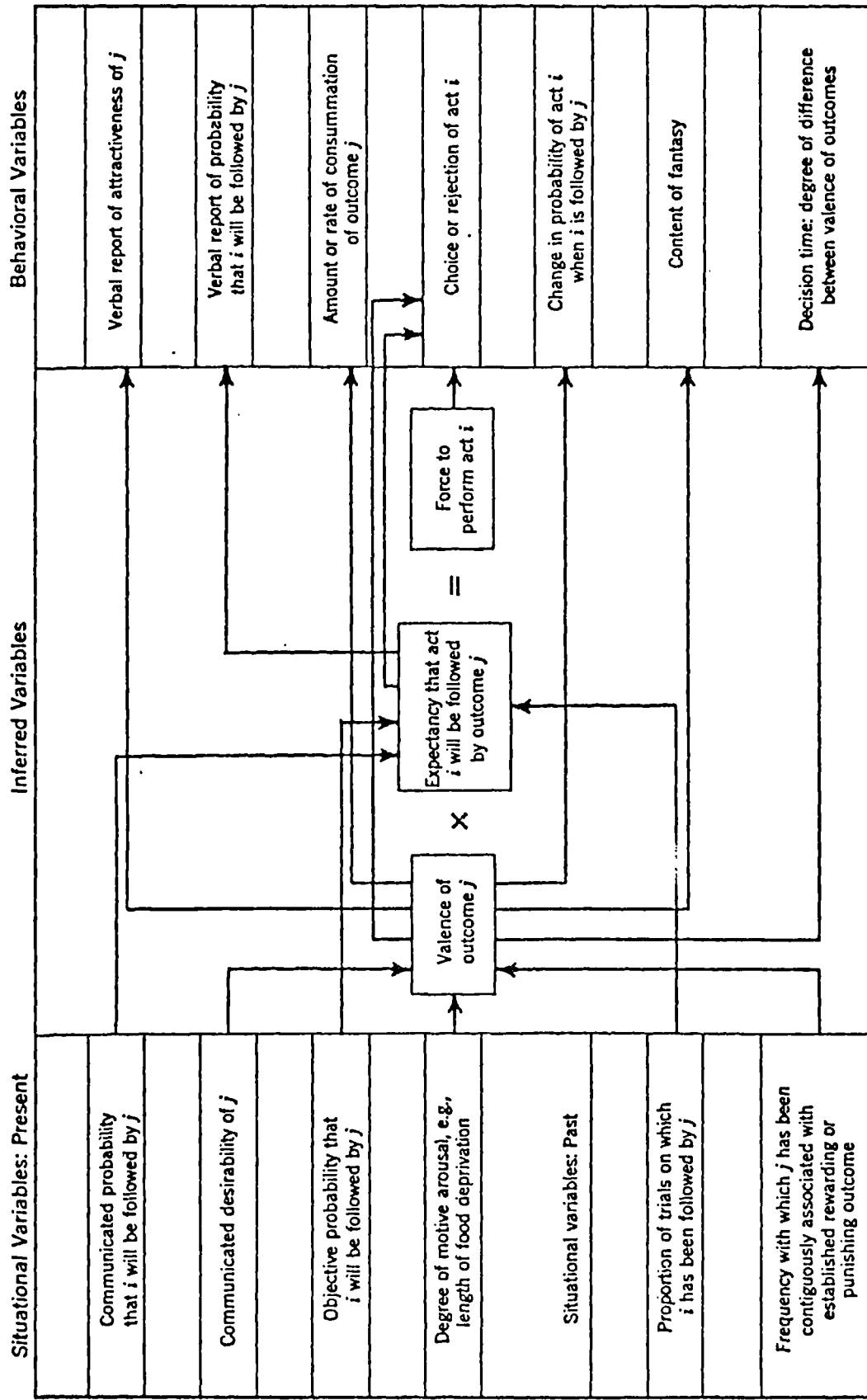
Combining valence and expectancy Vroom (1964:18) suggests that the '. . . force on an individual to act,' (this is the same as the motivation to act) 'is a monotonically increasing function of the algebraic sum of all products of the valence of all outcomes and the strength of his expectancy that the act will be followed by the attainment of these outcomes.'

These two separate propositions stated by Vroom (1964) are, of course, highly related to each other and have subsequently been combined into a single model (Evans, 1970; Lawler, 1971).

In an attempt to operationalise the concepts Vroom (1964:27) suggests a number of situational and behaviourable variables which may affect or be affected by the valence or expectancy of the individual (see Figure 3:4)

In the field of leadership research Evans (1970) has proposed a model of behaviour more specifically relevant for research in this area. By combining the

FIGURE 3.5



EMPIRICAL COORDINATES OF THE VROOM (1964) MODEL

VROOM 1964:26

concepts of expectancy (that is belief that effort will lead to performance) and instrumentality (that is the belief that performance will lead to a particular outcome), Evans (1970:279) defines the totality of the concept as, the 'Path-Goal Instrumentality'. Evans (1970:281), by including goal attainment and Path frequency proposes a motivation model of supervisory or leadership behaviour. The model predicts worker satisfaction rather than Performance, but in an empirical study of utility workers and nurses some support for the model is presented.

House (1971) has used the Evans (1970) model to examine leadership behaviour, so research in this area, using this model is following a direction of its own away from the main body of motivational theory. Fulk and Wendler (1982) are still using the Evans (1970) model to investigate leader behaviour, while, in areas where the effort and performance link is comparatively clearly defined and the performance outcome a separate issue models which maintain the distinction are the bases of research, (Lawler 1971, Walker, Churchill & Ford 1977).

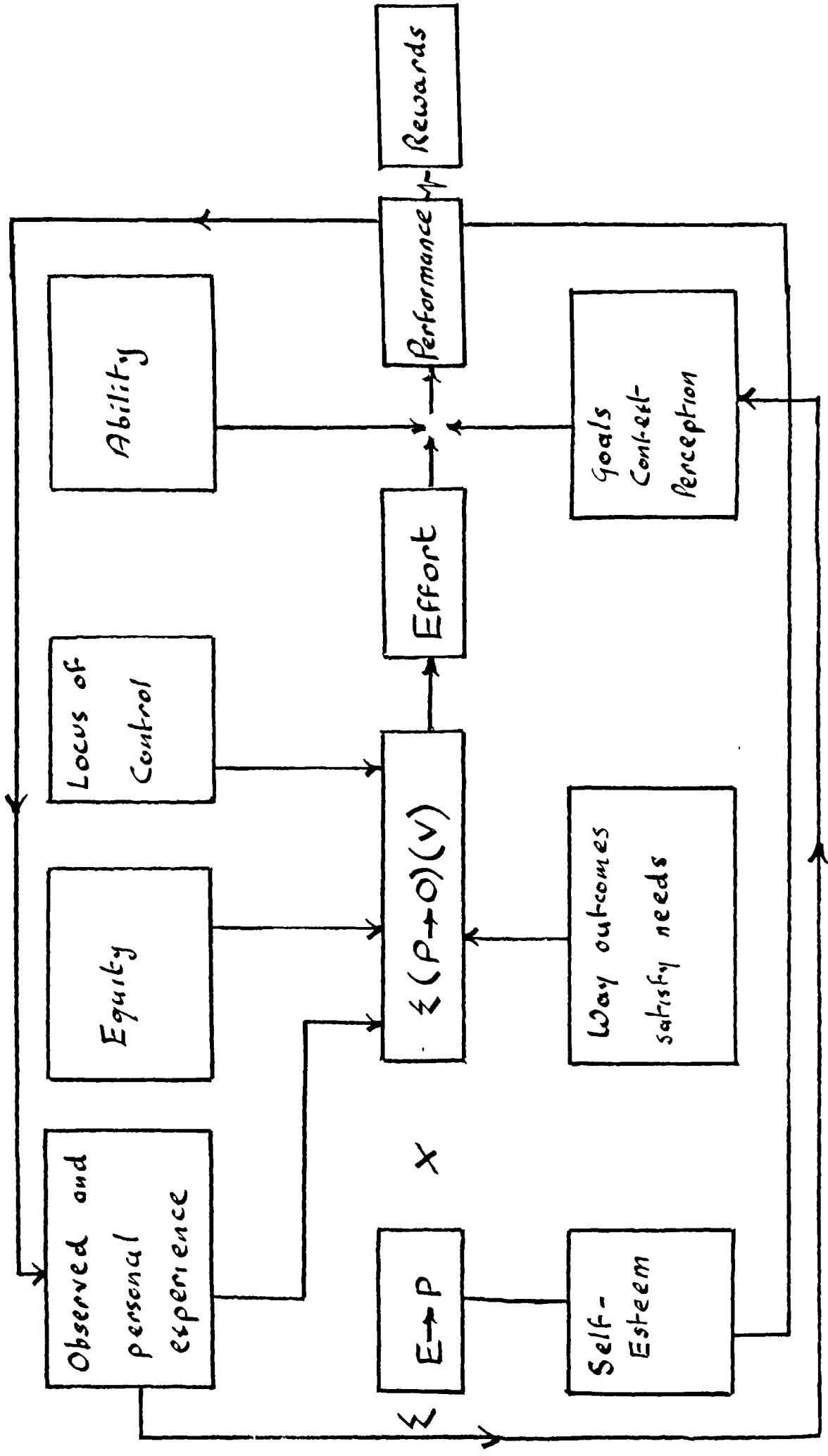
Even in the main body of motivational research the theory has been reformulated and extended by other researchers. Galbraith and Cummings (1967) stress that, while in Vroom's (1964) theory, outcomes are dependent on the role occupants action or effort leading to actual performance (or what they call first-level outcomes and what Vroom (1964) calls instrumentalities) and the

subsequent valence for the rewards of performance (2nd level outcomes), in some cases, performance valence may not depend on the value of performance to outcome probability, ($P \rightarrow 0$) but may have some intrinsic value which is relevant to maintaining individual self identity. They argue that in the work role, variation in valence will reflect individual intrinsic differences and the extrinsic rewards, which can be money, supervisor relationship or the affect of the norms of the work group. Galbraith and Cummings (1967:246) attempt to operationalise these concept and measure them in a group of 32 workers in a heavy equipment manufacturer, using a questionnaire (which on pretests had high internal reliability). They were able to conclude that instrumentality and valence do interact to determine motivation, particularly for 'supervisors support' and 'pay', thus supporting Vroom's (1964) theory.

Graen (1969), in an experimental study of 169 women finds some support for his extension to the theory although this is limited to the predictions of job satisfaction rather than performance, even though he experimentally manipulated pay. This extension of the model attempts to predict job satisfaction by incorporating into the model, work role variables and suggesting that these variables (accomplishment, achievement feedback, recognition, responsibility, human relations, working conditions and salary) predict the outcome of 'job satisfaction'. Having established that instrument-

Figure 3:5

The Motivation Model



ality relationships are responsive to the contingencies of the job situation Graen (1969:20) suggest some extension to the theory in the form of boundary conditions. He suggests that the reward, however defined, must be contingent on performance and that communications about performance and outcomes must be concrete before predictions can be made. Graen (1969:62) also argues that performance can be predicted by incorporating role system expectations, attitudes and beliefs in the model and that job satisfaction can be predicted from superior performance which is contingent on job role attributes. The concepts from the Graen (1969) study must be viewed with some caution as a grand edifice has been established on experimental results which use 15-18 year old girls (hardly typical of the working population as Millward, (1968) demonstrates) and which predicts job satisfaction rather than performance. It is a pity that money (which was manipulated in the study) was not made contingent on performance making sure of a money effect (there is no evidence that this particular manipulation worked) and that the task was not more interesting. Nevertheless, this study is an important one which put Expectancy Theory into the front of occupational research.

Perhaps the most comprehensive reformulation of the Expectancy Theory model of work motivation is that developed by Lawler (1971:108). After reviewing the predictions from Drive Theory, Equity Theory and Need Theories and examining the conceptual and methodological

problems put forward by Galbraith and Cummings (1967) and Graen (1969) together with the concepts of Vroom (1964), Lawler (1971) attempts to integrate these concepts into a comprehensive model of work behaviour. This model is particularly suitable for research in the pay area as it predicts performance rather than job satisfaction.

As Figure 3:5 shows the model includes perceptions of Equity Locus of Control, Self Esteem and includes both intrinsic and extrinsic needs in its formulation.

There has been a great deal of research testing the Expectancy Theory model (for reviews see Mitchell 1974, House et al 1974, Connolly 1976, Feather 1982), predicting practical work behaviour (Churchill et al 1977) and to test predictions about pay and performance. Here only the pay or extrinsic reward studies are reviewed.

Expectancy Theory predicts that provided pay has a high valence for an individual (irrespective of why) and if his expectancy of obtaining pay by superior performance is strong (say by linking pay to performance deliberately, that is a piece-work or a PBR system) performance will be enhanced.

Arvey (1972) in a laboratory experiment (n = 180 college undergraduates) manipulated ability and reward expectancies during an arithmetic task. The reward did not appear to influence performance in any way but as the reward was a 25% or 75% chance of gaining two experimental psychology points this result is probably an artefact of the perceived value of the points.

However, the experiment did show that the beliefs individuals have about whether their effort can result in successful performance is linearly related to actual performance.

Camman and Lawler (1973) in a detailed and comprehensive field study reviewed the incentive system in a shipping company. They found (with a group bonus system) that in one group the incentive system appeared to be based on rewards that were valued by the workers and the perception of the link between effort and performance was clear, while in other groups men did not understand the relationship between their own behaviour and their rewards. Using Expectancy Theory, they derive a simple mathematical model which predicted rates of pay and suggest that the incentive system seemed to be working effectively in the first group. However, it is not clear whether, as there were groups of ten men interviewed, this was also the size of the work group. The size of the work group is likely to be an important factor in determining whether such an incentive scheme is effective (Campbell, 1952; Buck, 1957).

Pritchard and Sanders (1973) examined the valence and instrumentality concepts put forward by Vroom (1964) and established by means of a survey of 146 post office employees that 'getting a pay rise' was the most valued work outcome. Support for the concepts of the theory and their relationship with each other was established, but as the research uses self report measure of effort

and subjective measures of performance its results should be treated with some caution.

Jorgenson et al (1973) test the hypothesis that high expectancies result in different behaviour from low expectancies. In a realistic simulated work experiment using 256 college undergraduates the researchers manipulate pay by having subjects work for three days in high performance reward contingency (an incentive scheme) and three days in a low contingency condition (hourly paid). The change from one condition to another had the predicted effect on performance, in that performance was higher in the high performance reward contingency regardless of the order worked. Pritchard (1973) reviewing this experiment expresses some disappointment at the results, but his concern is mainly over the effects of performance on job satisfaction, a link not clearly established.

Pritchard et al (1976) in one of the few field experiments using financial rewards, manipulates three types of extrinsic incentive system among a group of airforce trainees (n = 1301 observations). Initial research established a series of incentives valued by the servicemen (ie three day pass for the weekend, wearing any uniform for a week). These incentives were then manipulated to effect performance, using the subjective measure of supervisor evaluation as well as objective performance measures, such as exam results and general grades. The mechanics of the system were that the student

could earn points for performance and then use these points to acquire a particular incentive.

In addition to the two incentive conditions (one attempting to reward effort) a third incentive of a financial nature was offered on top of the points system for performance or effort. Unfortunately, for such a comprehensive experiment, the results were inconclusive. The first two incentive schemes had little effect on performance but when financial incentives were used, performance improved. The researchers conclude, 'the answer seems fairly straight-forward, only when fairly strong incentives were used, in this case financial incentives, did the programme have any impact on performance,' (Pritchard et al 1976:492). This is an important field study which overcame many of the problems inherent in such a real situation. Perhaps the results were marred by having such unclear measures of performance and effort rather than any weakness in the field situation. It is important that such research be carried out in real life situation using objective performance measures where these are available.

Klein (1973) experimentally examines predictions about pay deriving from both Equity Theory and Expectancy Theory. As a matter of interest although the hypotheses from each theory are different, and they predict job satisfaction rather than performance, they are not incompatible. Using a large sample (n = 1200) of blue collar workers in an industrial company, Klein administered

a questionnaire measuring worker reinforcement (two questions), expectancy (two questions) and equity (three questions) and tries to ascertain if it is possible to predict job satisfaction (4 questions). The results suggest that both the equity of, and expectancies about, pay predict job satisfaction but that perceptions of equity have a stronger influence on satisfaction.

Dachler and Mobley (1973) attempt to operationalise the concepts of the theory and subsequently to examine, (by administering a comprehensive questionnaire measuring expectancies, goals, utilities, a variety of outcomes, performance and measures of productivity), the concepts of the theory in two work settings. Although they did not directly measure the effect of pay on performance, it was an interesting artifact of this research that while in Plant 2 the results were inconclusive, in Plant 1 which had a piece-rate system, some support for the theory was provided. This supports the suggestion put forward by Graen (1969) who argued that a boundary condition of the model must be a performance contingent system of pay.

Koppleman (1977) investigates the reward practices of a company towards 399 engineers. Using subjective measures of effort and motivation with objective measures of reward, and re-testing four years later, He found that the relationship between supervisor evaluation in 1969 and current reward was low in one particular company (0.37). This indicates little relationship between pay and subsequent performance or

effort in that company. His explanation for this is that responsive reward systems tend to encourage those with low motivation to leave the organisation. Unfortunately, there is no comparison with any objective measure of performance, so it is not possible to identify if the more responsive reward system was organisationally successful.

Summary

The literature presents two views of the role of pay in influencing production. These have been classified as Low Profile Theories and High Profile Theories.

The Low Profile Theories find inspiration in the conclusion, drawn from the Hawthorne Studies, that pay is not a primary motivator of performance. However, there is little empirical evidence to support the alternative explanations put forward. Evidence to support Maslows (1943) theory is not forthcoming and derived alternatives (Alderfer 1969) have received little support. Although it has stimulated a great deal of research the theory of Hertzberg et al (1967) appears to be an artifact of its peculiar methodology (Wall & Stephenson, 1970; Soliman, 1970) while the idea that payment for an intrinsically interesting task decreases motivation (Deci, 1971) has been qualified so greatly (Kruglanski et al, 1975a; Pomac & Salancik, 1981) that it now has little credibility. The Low Profile Theories do not appear to have any role in helping managers influence performance.

However, the High Profile Theories seem to provide general support for the concept that pay can influence behaviour and enhance performance but do not provide a comprehensive or satisfactory explanation of why this is so. These theories seem to suggest that linking payment to performance does enhance performance depending on the context, the task and probably the type of personality. In order to establish whether car salesmen are motivated by pay it becomes necessary to establish the type of personality as Chapter Two has already established the context and the task.

CHAPTER 4

SALES PERSONALITY AND PAY

One of the things that comes across when talking to salesmen particularly car salesmen is that they have an enthusiasm for and enjoy the job. They are well aware of, and openly discuss, the many problems influencing their effectiveness. They continue more or less successfully to survive and prosper. It seems likely, and many popular writers believe, that it takes a particular type of personality to succeed at the job. A man who employs a lot of salesmen Harry Turner (1981) considers that a good salesman is 'A bit emotional, they have inflated opinions of themselves and when all is said and done these qualities are quite frankly un-British.' Reiser (1962) suggests that at one time the salesman had the 'Willy Lomas, dubious value' image but that he is changing rapidly, while Thompson (1972) describes in some detail the image, and consequent personality, that the salesman has in the public mind as 'pushy, aggressive, insensitive, brash and bombastic.' These very words reflect the bias as, by using synonyms, one could rewrite this particular description as, 'assertive, aggressive, determined, open and cheerful,' all qualities generally admired. It is vaguely ironic that the one personality trait most often associated with salesmen generally, extraversion, is not widely researched.

It is true that Howells (1968) measured extra-

version using content analysis of interview data and established a significant link between extraversion and performance in some sales situations; however as he uses a subjective evaluation for establishing personality and self-report measures of performance the results are not objective. In the other two studies using the concept (Turnbull 1976, Poppleton and Riley 1978) the results were not significant. Poppleton and Riley (1978) conclude that 'the most successful salesman and the least successful salesman are not differentiated by scores on the extraversion or anxiety scale.' Perhaps the idea of extraversion in the mind of the general public is somewhat different from the psychological construct.

It is clear, however, that there is in the public mind a general stereotype of the sales personality. The literature has concerned itself with trying to identify those personality traits apparent in successful salesmen rather than in relating them to motivation. So this chapter will firstly review attempts to establish the existence of personality traits in successful salesmen and then link personality to motivation and pay.

Sales Personality

According to several models of sales behaviour (Ford, Walker and Churchill 1977, Bagozzi 1978, Ryans and Weinberg 1981, Poppleton 1981) performance is viewed, at least in part, as the function of the enduring personal characteristics of the salesman.

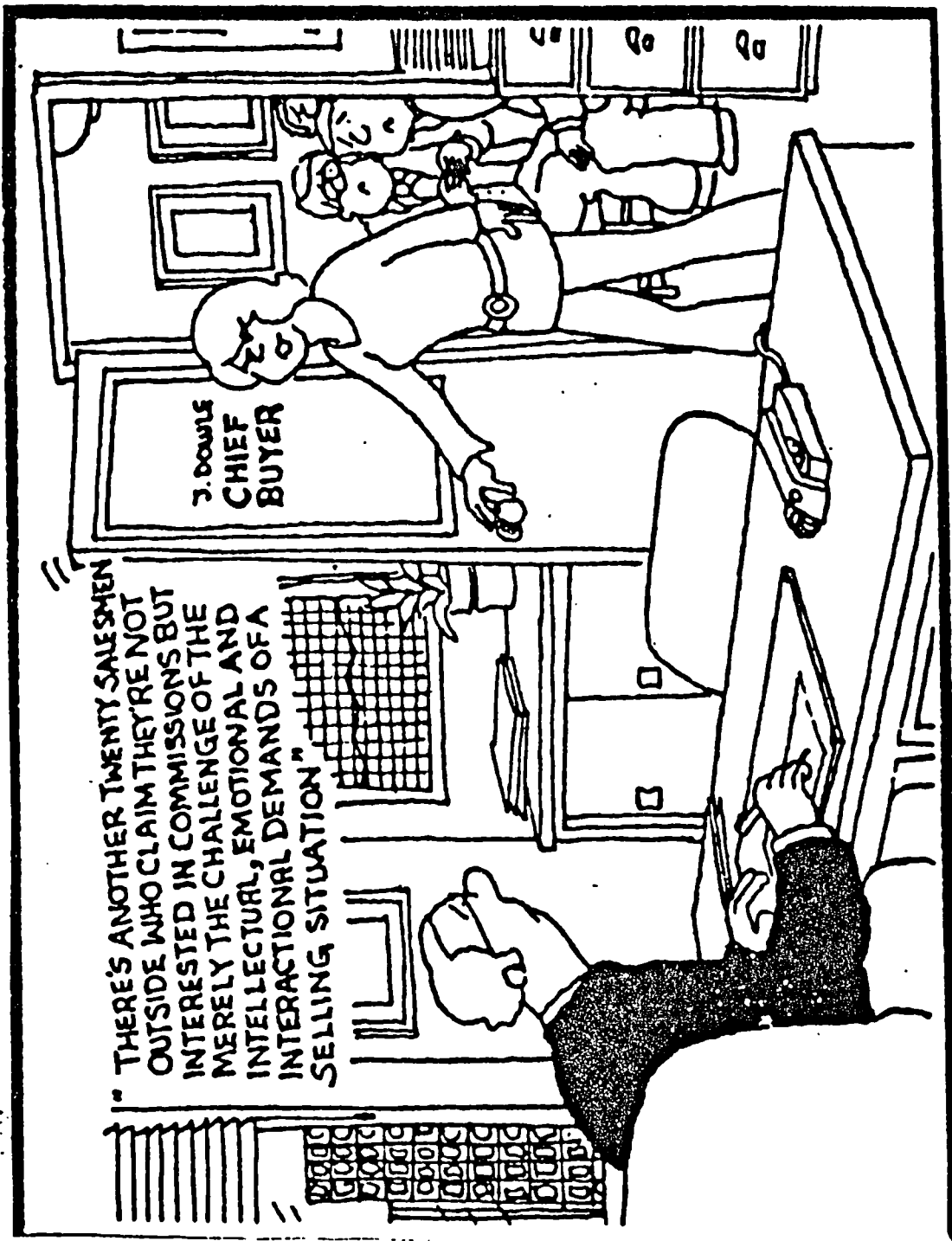


Figure 4:1 The Sales Personality

Research, attempting to identify which particular salient personality characteristic leads to successful performance, is often undertaken by selecting a trait, measuring it, and correlating the result with a measure of performance.

This methodology has its limitations. In order to establish causality one needs to establish more than a simple relationship; consequently, identifying a characteristic in a group of salesmen tells us little about its role, except within some body of theory and much research in this area is not theory based.

There are also problems in selecting and identifying which performance measure is relevant. Much of the research in this area uses self-report measures or vague company appraisals when objective data (in the form of sales figures) are available.

Finally, having identified a characteristic which is correlated with sales performance or behaviour, it is difficult to evaluate whether the level of the trait is high or low. Comparative data are not often reported. However, such research is a necessary first exploratory step towards the knowledge of a sales personality and may suggest hypotheses for subsequent experimental verification.

Among early researchers is Witkins (1956) who gave the Strong Interest Blank to a group of 300 salesmen and was able to discriminate between speciality salesmen, route salesmen and sales engineers. Unfortunately, the

raw personality data is not presented in his report, only comparisons with other jobs, so the data is difficult to interpret. The fact that this group of salesmen can be differentiated on the 'office workers' or 'Production Manager' scale is not particularly informative.

In a similar vein, Dunnette and Kirchner (1960) devised a Sales Job Description Checklist (SJDC), which was administered to 120 salesmen of the Minnesota Mining and Manufacturing Co, together with a series of personality tests. Correlations revealed differences between Industrial and Retail salesmen but as the results are reported in the form of comparisons with other occupations they are awkward to evaluate. Industrial salesmen score higher on the scientific and technical occupation scales (ie Mathematician, Engineer, etc); while Retail Salesmen show greater interest in business and persuasive activities (ie Purchasing Agent, Real Estate Salesmen, Life Insurance Salesmen).

These researchers, also, tell us that an Industrial Salesman places heavy emphasis on ingenuity inventiveness and the exercise of his wits while the retail salesman places emphasis on planning, hard work and the persuading of others. It should be noted that the definitions of industrial and retail salesmen are not the usual definitions used in the literature where an Industrial Salesman is one who is out on the road, covering a large territory and selling to large industrial companies, while a retail salesman sells to the general public. In the 3M's study

the Retail Salesman is one who sells to retail stores, or the traditional commercial traveller.

Harrell (1960) compared the sales records and performance reviews of 21 oil company dealer salesmen with six personality measures used by the company to select salesmen. He found that the differences between high performing and lower performing salesmen could be significantly identified by mental ability, stability, dominance, self confidence and aggressiveness. However, as the salesmen were all employed and performing to presumably acceptable standards these characteristics may not differentiate between salesmen and non-salesmen during the selection process.

Miner (1967) gave a group of 65 oil company salesmen a whole variety of personality tests (a two day interview and testing schedule) and correlated the results with performance measures. They identified the successful salesmen as having high dependence, sociophilia, self-confidence and happiness while the less successful have low aggression sociophilia, strong superego, overconformity and deviance. This is strong evidence of intuitively salient characteristics in successful salesmen.

Zdep and Weaver (1967) using a sample of the subjects handwriting, select intuitively a group of 13 personality traits which they consider should discriminate successful life insurance salesmen. They asked 63 salesmen to write a prepared passage and two graphologists analysed the writing for personality traits.

The researchers themselves warn of the problems of construct validity and, unfortunately, for this originally conceived research, none of the results were significant.

In a rather more usual study Baehr and Williams (1968) used personal background data to identify a variety of traits such as achievement, (from school and college achievement) drive, (from supervisory situation) and from some unreported source - Financial Responsibility. These were correlated with subjective and objective performance measures in a group of 210 salesmen. The results suggest that successful salesmen were significantly more financially responsible, more stable and had earlier family responsibility than the less successful.

Bray & Campbell (1968) selected from a group of 78 men, 57 as being suitable as salesmen according to intelligence (school record), a critical thinking test, an abstract reasoning test and a general knowledge test. The performance of the entire sample was monitored by a review team (performance standards being a series of behaviours expected to lead to sales success such as preparation, prospecting, closing, etc) and 47% met review standards. Only two of the men judged as unacceptable passed the review. This study is interesting in that it enables researchers to follow the performance of those selected as 'unacceptable'. Normally, they would not have been appointed and comparisons could not have been made. However, the performance or review measures are suspect, good salesmen as has been shown in Chapter Two

tend to use ideosyncratic techniques rather than trainer decided behavioural patterns so the results would be more meaningful if objective sales performance figures had been used.

Howells (1968) in one of the few English studies of this nature, used interview analysis (rather than questionnaire) to identify personality characteristics leading to success in 542 salesmen in five different industries. He evolves a model of the sales interaction which, he suggests, is dependent on the type of product and the market. He finds that the personality characteristics Ego Involvement and extraversion, extraversion alone and ego involvement alone lead to successful selling depending on the context. These results should be treated with some caution, as the analysis of interview data to establish personality characteristics is, to some extent, subjective and the performance measures used were a company rating of salesmen on a five point rating scale (it is not stated who in the company did the rating). It seems probable that this is, therefore, a correlation of two subjective measures presented as being objective.

Pruden and Peterson (1971) measured self-other orientation (the components of which include the individuals perception of power relationships, social interests, marginality, identification intensity and openness) in a group of 91 building material salesmen. This was correlated with self measures of performance. There was little relationship between job satisfaction and performance but

the study did provide some evidence that as the salesmans perceived power over the customer increases so does sales performance. The fact that a self-rating of performance was used reduces the validity of this research particularly as more objective measures were available.

According to the researchers developments in personality theory and the availability of new personality measures inspired them (Lamont and Lundstrom, 1977) to review the question of identifying personality characteristics leading to success in a group of 143 industrial building materials salesmen. From the literature and exploratory research the personality traits of dominance, endurance, empathy, and ego strength were selected together with such demographic characteristics as age, height, weight, education and hobbies. Correlations of these measures with both subjective (manager rating) and objective measures of performance (sales volume) revealed that although a combination of demographic factors correlated with performance, of the personality factors, only endurance and social recognition were significant. Height was also significantly related to performance, perhaps associated with dominance in some way.

Turnbull (1976) selected self-esteem, extraversion and machievellianism (Christie and Geis 1970) as the characteristics most likely to mediate sales success. Unfortunately, none of the personality characteristics were significantly related to sales performance although the number of calls made and hours spent working were.

However, as the sample was a group of 210 college students selling books to their associates on a part time basis, generalisations from this sample to other samples should be treated with caution.

Poppleton and Riley (1978) tackled the problem in a very thorough way. They obtained a detailed job description (both from salesmen and sales managers) and then interviewed six successful salesmen and six unsuccessful (lower performing salesmen) to establish 'on the job' characteristics, and from the individuals themselves the personality traits that mediate success. An important influence in the job of this group of life insurance salesmen was the fear of rejection, and the research discusses how it was handled by various individuals. This would suggest that high levels of self esteem are very necessary to perform well in this job and, although it is a factor identified in this study its' importance is not stressed. This is also one of the few studies which suggest that salesmen have a level of economic motivation. From their analysis the researchers have developed a selection scale which is as yet untested. Presumably, as the personality characteristics were obtained from interviews with a group of salesmen performing to acceptable standards the scale may discriminate between acceptable salesmen and successful salesmen but will not necessarily identify differences which distinguish salesmen from non salesmen.

Perhaps the most comprehensive body of research

into the sales personality is that by Mayer and Greenberg (Mayer and Greenberg 1964, Greenberg and Greenberg 1976, Mayer and Greenberg 1980). These researchers identify empathy (the ability to feel as the other person does) and ego strength (which they define as a mixture of self-esteem and dominance) as the critical factors in the successful salesman. They correlate these traits with performance in a group of automobile salesmen (n = 195) a group of insurance salesmen (n = 181) and a group of mutual funds salesmen (n = 114) to give a total sample of 490. Their results demonstrate that salesmen high in empathy and ego strength appear in the top two quartiles for performance after periods of six and eighteen months. The selection test was marketed commercially and in studies to evaluate its success the researchers (Greenberg and Greenberg 1976, Greenberg and Mayer 1980) selected a random 5% sample from the 350,000 evaluations completed, giving a sample of 17,000 individuals in twelve industries. An analysis of these data, apart from re-stating that those selected appeared in the top two quartiles, revealed that performance did not appear to vary with age, women were as good as men sales persons and there were no performance differences between black and white salesmen.

Unfortunately, although the articles present conclusions from an impressively large sample the methodology is not presented (the test performance measures, sampling methods and statistical analysis) so it is

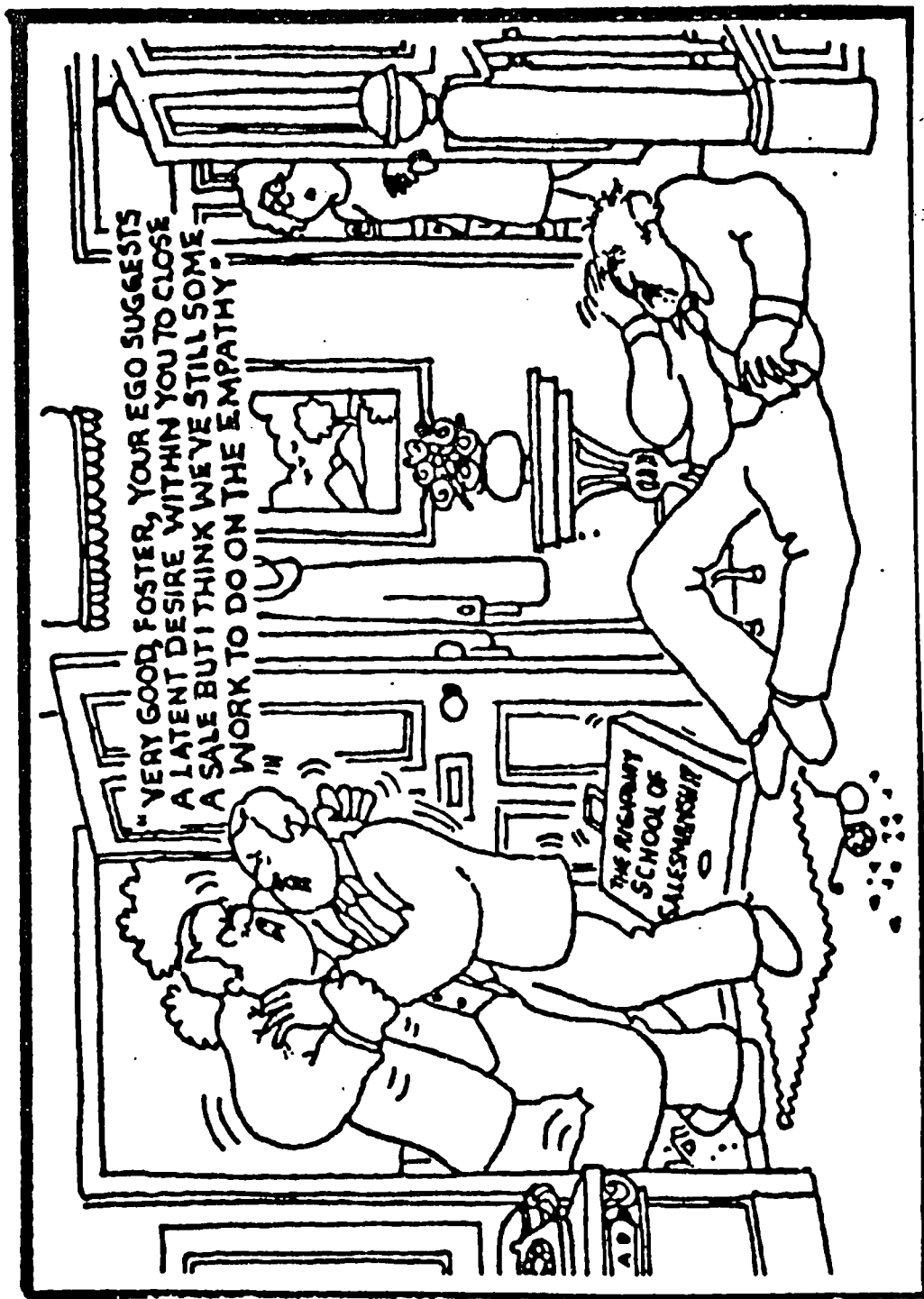


Figure 4:2 Ego Strength and Empathy

difficult to evaluate. The test appears to have been commercially successful.

Ingram (1980), Ingram and Bellinger (1984), correlated valence for a variety of rewards in a group of 241 sales people together with a number of demographic variables and self esteem. These variables and the hypothesis for the research were suggested by the model proposed by Churchill, Ford and Walker (1979). This is a peculiar model mixing the concepts from Expectancy Theory with Maslows (1964) hierarchy of needs. The model has stimulated some research but predicts job satisfaction and not performance, so results tend to be inconclusive. In this research (which did not concern itself with performance except indirectly through reward valence) age, job tenure, income levels, specific self-esteem, pay plan, promotion are all related to a reward valence. The valence for pay appears to be inversely related to income level, as one might expect, and commission salesmen have a significantly higher valence for increased personal growth than their salary based counterpart. This last finding is particularly interesting as it suggests that salesmen see income as contributing towards, or as an indication of, personal growth and self-actualisation, as well as a manifestation of materialism.

Williamson (1980) correlated need for achievement with job outcome variables and job performance, using both supervisor evaluation of performance as well as objective measures (dollar sales). Few of the relationships between

job outcomes and goals were significant but Need for Achievement had a moderate correlation with performance ($r = 0.33$ $p < 0.002$).

Saxe and Weitz (1982) suggest that some salesmen are more customer oriented than others (using the concepts developed by Blake and Mouton (1968, 1971) of 'concern for others') and have developed a 'customer-orientation scale.' They tested several groups of salesmen to standardise the scale. The scale has a high reliability (alpha 0.86 for the first sample) and some convergent and discriminant validity. Correlations with performance data obtained were moderate. An interesting aspect of this study is that two groups of automobile salesmen were tested and scored comparatively low on the scale. It is not clear, however, whether this 'other orientation' is a particular sales trait or whether it is present in the general population. The evidence suggests that it may discriminate good salesmen from extremely good salesmen and it seems likely that it could discriminate between salesmen (or potential salesmen) and others before they acquire sales behaviour. However, specific research would be necessary to establish this.

Teas (1981) in a comprehensive piece of research using concepts drawn from Expectancy Theory, expands the model of sales behaviour proposed by Walker, Churchill and Ford (1977) to include Locus of Control and self-esteem as well as a number of environmental variables suggested by Hackman and Oldhams (1974) model of an

enriched environment. Unfortunately, none of the variables are related to performance, but an indirect relationship can be deduced from findings that job specific self-esteem and internal locus of control orientation are both related to the sales persons expectancy and instrumentality perceptions.

Bagozzi (1980) using Causal Modelling examines the causes of performance in salesmen. He identifies self-esteem as an important variable from the literature, and correlated measures of self-esteem (together with a number of job variables) with objective measures of sales performance (dollar sales volume) in a group of salesmen ($n = 122$). He established a fairly high correlation ($r=0.5$), which suggests that, mathematically at least, self-esteem is a cause of successful sales performance.

Summary of Personality Traits in Literature

Of the 22 studies reviewed only 13 establish a significant link between the personality variable and the sales behaviour (see Table 4:1). Although it is quite difficult to distil from such a mixed body of research whether there are any personality variables which consistently influence sales performance, analysis suggests that self-esteem (in its' various guises) appears to have a consistent influence as does Dominance, but there are few other relevant useful results. It is possible, by interpreting responsibility, social recognition and endurance as

TABLE 4:1

SIGNIFICANT RELATIONSHIPS BETWEEN PERSONALITY TRAITS AND
SALES BEHAVIOUR IN SUCCESSFUL SALESMEN

<u>Researcher</u>	<u>Trait</u>
Dunnette & Krichner (1960)	Dominance
Harrell (1969)	Mental Ability
	Stability
	Dominance
	Self-Confidence
	Aggressiveness
Miner (1967)	Dependence
	Sociophilia
	Self-Confidence
	Happiness
Baehr & Williams	Financial Responsibility
	Early Family Responsibility
	Stability
Howells (1968)	Ego Involvement
	Extraversion
Pruden & Peterson (1971)	Power
	Marginality
Lamont & Lindstron (1977)	Endurance
	Social Recognition
	Dominance & Height
Greenberg & Meyer (1980)	Ego Strength
	Empathy
Bagozzi (1980)	Self-Esteem
Teas (1981)	Self-Esteem
Williamson (1980)	Need for achievement
Saxe & Weitz (1982)	After Orientation
Ingram & Bellinger (1983)	Self-Esteem

achievement oriented concepts, to make a case for Need for Achievement. This would suggest that successful sales performance is achieved by salesmen who have high levels of self-esteem, dominance and need for achievement.

As far as car salesmen specifically are concerned a number of studies attempt to link personality variables to performance.

Tobolski and Kerr (1951) correlated Empathy with a ratio measure of sales performance and discovered a significant relationship ($r = 0.44$) between performance and empathy in 11 new car salesmen but not with 17 used car salesmen. It is suspected (because of the authors knowledge in this field) that the ratio of performance used distorted the results, as the opportunities to sell new cars and used cars varies enormously. As the performance data are not reported it is not possible to test this hypothesis.

Kennedy (1958) has developed a selection test but, presumably for reasons of commercial secrecy, does not identify the constructs which make up the test. However, he does supply the quite useful piece of knowledge that new car salesmen, used car salesmen and prestige car salesmen are identified by similar characteristics, even though he does not tell us what these are.

More recently Oda (1983) correlated a number of personality measures with performance in a group of 41 car salesmen. Six were related to performance - aggressiveness, self confidence, leadership, empathy, vigourousness

and independence. This supports research in the general area of sales personality, suggesting that self-esteem (aggressiveness and self-confidence), dominance (leadership and vigourousness) and nAchievement (leadership are **related** to successful performance.

However, performance is only part of the job of a salesman. Perhaps by examining the characteristics of the job of a car salesman it will be possible to confirm and logically deduce the value of the traits already mentioned link them with pay attitudes and possibly identify other traits which may contribute towards the salesmans survival.

Personality Traits and the Job of a Car Salesman

Earlier it was possible to identify the principle factors influencing of the job of a car salesman as:-

Bargaining

Reputation

Customer Characteristics

Part-Exchange

Context:- Management

Pay System

It should be possible to examine the influence of a variety of personality characteristics on performance in the work context, using these particular facets of the job.

Self-Esteem

It appears intuitively likely that self-esteem is important in all aspects of the sales situation. Self-esteem is generally defined as

. . . the evaluation which the individual makes and maintains with regard to self. It expresses an attitude of approval or disapproval, and indicated the extent to which the individual believes the self to be capable, significant, successful and worthy. (Tharenou 1979:317).

From this definition it follows that in order to bargain well, a salesman should feel confident of his abilities; in order to overcome the stigma of his reputation a salesman should feel a personal sense of self-worth; in order to overcome the constant rejection a strong sense of self-concept must be important; and in order to accept a system that pays on results a salesman must be confident of his ability to sell consistently. Bell (1967) examined the effect of customer self-esteem on the price paid for a car but did not recognise that selling is an interaction and so establish the effect of different levels of the salesmens self-esteem on the price paid. Korman (1970) proposes that performance will improve as either chronic or situational self-esteem increases and that people with high self-esteem will be highly motivated, succeed at a task because they like it, and will be motivated to perform when the incentive or reward is contingent on performance. Korman (1970:33) quotes the research by Adams and Rosenbaum (1962) and Andrews (1967) where individuals on a piece-rate system, who thought they were

getting more than they deserved, reduced their performance. These two studies, he suggests, are consistent with the view that when income is calculated on a contingency basis people earn in relation to their perceived self-concept. This finding would suggest that those with high levels of self-esteem will prefer performance related pay as they are confident of their ability to earn. Although Dipboye (1977) is critical of Korman's (1970, 1974) theory, he is critical of the explanation and does not suggest that performance is not enhanced by increased self-esteem. It is also a consistent finding from the sales research that successful selling is correlated with high self-esteem (Miner 1967, Howells 1968, Greenberg and Meyer 1980, Bagozzi 1980, Teas 1981, Ingram and Bellinger 1983) so, from Korman's (1970) theory we can deduce that salesmen will perform better when pay is contingent on performance.

Additional empirical evidence will be presented in Chapter Seven. However, Hechler and Weiner (1974) who in a laboratory experiment using 80 undergraduates, manipulated pay (high and low) with high and low levels of chronic self-esteem subjects and related this to performance on a word manipulation task, found that subjects in the high pay group produced more than those in the low pay group. While self-esteem did not appear to effect quantity, quality was clearly influenced, indicating that high self-esteem subjects produce quantity and quality on a work task. Burke (1979) in a

laboratory experiment with 90 male undergraduates did establish a link between self-esteem and performance and goes on to establish that success was attributed more to effort and ability than was failure.

Clearly self-esteem is an important facet in all aspects of the sales task and individuals high in self-esteem appear to value money as a measure of success.

Dominance

It would seem logical that in order to influence another individual one should have some form of overt or covert power or dominance over him. In the sales context Busch and Wilson (1976) suggest that expert and referent power (the degree to which salesmen are regarded as an expert or perceived as similar) are major factors in the sales situation. In a laboratory experiment 187 undergraduates were presented with a sales message which varied on various levels of expertise and referent power. The results confirm that high levels of expertise and referent similarity did influence the undergraduates declared intention to buy, but as the subjects did not actually buy and the link between intention and behaviour is suspect (Fisbein and Ajzen 1975), the results are not definitive. However, Busch et al (1977) developed this theory into a model of sales interaction and suggest investigating the various potential sources of power in the sales situation.

The concept of dominance as an intrinsic need

stems from Murrays (1938) research. Murray (1938) affirms that the human personality consists of needs or or forces, either internally or externally mediated and either physiological or psychogenic in nature. A need interacts with other needs and presses in a dynamic way to result in a particular behaviour. The Need for Dominance, as its' name suggests, is 'the need to influence or direct the behaviour of others by suggestion, persuasion or command. To convince others of the correctness of one opinion,' (Murray 1938:152). The definition could almost describe the sales situation and significant relationships have been found between Need for Dominance, and sales behaviour by Dunnette and Kirchner (1960) Howell (1960), Pruden and Peterson (1971) and Lamant and Lundstrom (1977).

Maslow (1942) has researched the trait of dominance extensively, equating it with self-esteem. He is able to identify high dominance personalities and low dominance personalities who have easily identifiable behaviour patterns. In particular, Maslow (1942) found large differences in sexual behaviour between the two groups.

Desmond Morris (1979) suggests that, 'in any organised group of mammals, no matter how co-operative, there is always a struggle for social dominance.' This synthesises the anthropologists view, which would suggest that the trait is innate. However, whether innate or learned it would appear that people with high nDominance

behave differently from those with low nDominance and that these behavioural differences could facilitate car selling performance.

Achievement

Another of Murray's (1939) needs, but one which has attracted a large body of research is the need for Achievement (McClelland 1961, Weiner 1974, Atkinson and Feather 1966, Feather 1982). Murray (1938:164) defined need for achievement as

. . . to accomplish something difficult, to master, manipulate or organise physical objects, human beings or ideas as rapidly and independently as possible. To overcome obstacles and to attain a high standard to improve oneself and excel , to rival and surpass others.

Although self-esteem is a general personality concept, need for Achievement is a fairly narrow specific trait but one which, as Atkinson (1964:20) reminds us, provides an explanation for 'the direction, magnitude and persistence of behaviour in a limited but very important domain of human activity.'

Individuals with high need for achievement are more interested in the accomplishment of moderately difficult tasks and show a preference for moderate risk. As explained in Chapter Three, people with high nAchievement need to form some subjective judgements of the situation to evaluate risk. Consequently, they form expectancies, so the theory has a certain amount in common with Expectancy Theory (Vroom, 1964).

McClelland (1961:235) also establishes that those with high nAchievement value money as a measure of success commenting that the knowledge of achievement in business is normally related to money. Litwin and Stringer (1968) after reviewing the research conclude that those with high need for achievement enjoy activity and become good salesmen.

Morgan (1964) examined the economic achievement of those with high nAchievement in a National cross-section of the American population (n = 3000). It was discovered that those with high nAchievement were more likely to have high status occupations, supervise others and earn significantly more money than those with low nAchievement.

It is clear that in order to live with a payment system under which income depends totally on successful sales activity an individual must have a high nAchievement yet only one study (Williamson 1980) found a significant relationship between nAchievement and sales performance. However, the evidence from other sources (Atkinson 1964, Weiner 1974, Feather 1982) is so strong that one finds it difficult not to include this trait as an important factor in any study of sales performance.

Autonomy

Many car salesmen suggest that one of the most important facets of the job is the minimum supervision and the freedom to structure your time as you wish. One salesman commented, 'Oh yes, you get a certain amount of

freedom being a car salesman. You are virtually self-employed.' Another volunteered,

Well, your hours. There are no set hours as such. If we get here five minutes too late there is no clocking on or clocking off. When you are on showroom duty you should be on the showroom floor for about 9.00 but they don't bother you if you are a few minutes late.

Yet another says,

Well, it's a little bit like being your own boss, and being free yourself and being allowed to have your highs and lows. It's the ideal situation.

This theme of valuing freedom is a common well-liked facet of the job from which it would follow that car salesmen have a high autonomy in order to stay in the job. There is little research in this area from the sales perspective but Hackman and Oldham (1976) regard autonomy as a critical factor for job satisfaction although there is no reason to suppose that it should influence sales performance, Farh and Scott (1983) finding that, although autonomy may influence job satisfaction it has little effect on quality or quantity of performance. However, recently, Oda (1983) did find a significant link between independence (a synonym for autonomy) and performance in a group of 41 car salesmen.

Affiliation

In any job where you work with others and interact with people it would be necessary to enjoy co-operating with them and to like them. In many sales jobs, much time is spent alone driving between appointments, but the

car salesman is normally part of a team of from 2 - 15 salesmen so it becomes necessary to find strategies for co-operation. For example a common rule is the 'touch first rule'. Customers do not always buy a car on the first visit and will sometimes come to the showroom when the salesman dealing with them is not there. A common rule evolved in many showrooms is that the customer (and commission from the sale) belongs to the salesman who spoke to the customer first, irrespective of any subsequent selling or administration done by other salesmen at a later date. Such co-operation demands that salesmen have a nAffiliation defined by Murray (1938:174) as 'to draw near and enjoyably co-operate or reciprocate with allied others to adhere and remain loyal to a friend,' in order to belong to the 'group'. James (1950:293) was among the early writers who suggested that individuals have 'social selves', which enable men to live and work together in harmonious groups. Harré and Secord (1979:92) define a, 'social individual as one who shows a fairly consistent set of inner and outer responses to his fellows and to the social situation' but do not agree that this behaviour is innate, while Tajfel (1981:229) identifies a whole series of behaviours which enable individuals to belong to and work with a group of others.

It is not suggested that high levels of the nAffiliation are likely to influence sales performance but it seems probable that salesmen need to have an affable disposition and an acceptability of group norms

to work together in the same place. Perhaps, in salesmen who travel to the customer, it is not so relevant or important.

Social Manipulative (Machievellianism)

If the car salesman is, as his popular stereotype would suggest a 'cynical sweet talker' then an appropriate construct for assessing these characteristics has been developed by Christie and Geis (1970). Their concept of 'Machievellianism' was developed to investigate how powerful men manipulate others. Without reference to the academic literature Christie and some colleagues tried to determine the fundamental characteristics of people who were successful in controlling others. They reviewed the political literature of the past, including Machievelli's 'The Prince' as well as such esoteric works as, 'The Book of the Lord Shang' and the 'Arthastra.' From this they suggest that manipulative people have four characteristics

1. A relative lack of affect in interpersonal relationships
2. A lack of concern for conventional morality
3. A lack of gross psychopathology (they appeared normal)
4. Low ideological commitment

From this philosophical base and using many of the pragmatic constructs of the Prince, Christie and Geis (1970) developed a personality scale.

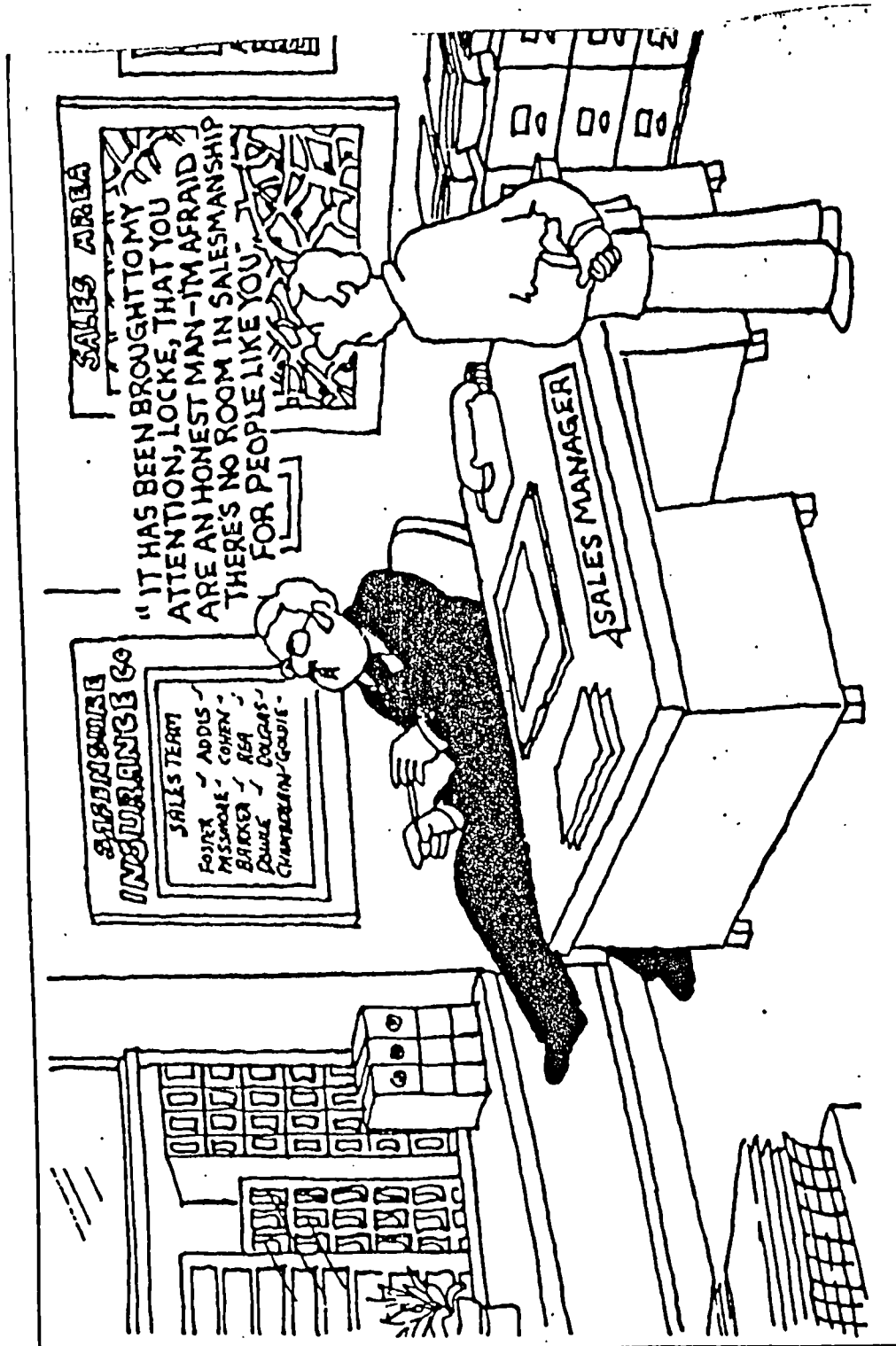


Figure 4:3 A 'Machievellian' Character

The concepts attached to the scale would appear to be particularly well suited to the role of a car salesman. Thompson (1972) suggests that salesmen like money and are aggressive while Mach research (Christie and Geis 1970:161) demonstrates that high Machs consistently outmanoeuvre others for financial reward, and show a lack of emotion in the interpersonal relationships involved.

Brown (1973:57) describing the behaviour of a group of American car salesmen suggests that, 'Some aspects of the con are present in his behaviour and he is more than willing to admit this; although he sees nothing dishonest, peculiar or immoral about it.'

She also suggests that car salesmen view the sales bargaining process as, 'two con men trying to outcon one another - with the best man winning.'

Geis (Christie and Geis 1970:130) show experimentally that high Machs outmanoeuvre others in an ingeniously designed 'con-game' and lack concern for any conventional morality.

Gorley (1978:11) describes salesmen as opportunistic, incapable of deep loyalty, unable to distinguish right from wrong and emotionally unstable, while Christie and Geis (1970:3) describe the high Mach personality as lacking in concern for conventional morality and using guile, deceit and opportunism in interpersonal relationships.

All of these attributes which demonstrate skill in interpersonal manipulation will appear, at face value, to

be of value to the car salesman in the selling situation and certainly fit the popular image of the car salesman. However, attempts to correlate Machievellianism with performance in the sales situation have not been successful (Turnbull 1976).

Locus of Control

If the salesman is to bargain well, value the part-exchange, adapt to customer characteristics, do a good deal and get paid he must feel that he can control events around him and the sales situation in particular. Research in this area (Phares, 1976) indicates that individuals in their search for meaning tend to look for the cause of events and will ascribe causality in a variety of ways. People who consider events under some sort of internal personal control tend to be more effective in achievement related behaviour (Weiner 1974:125, Lefcourt 1982:81), and there is some evidence (Nystrom 1983) that internals who believe pay received is contingent on ones actions earn more than externals. Teas (1981) found a significant relationship between Locus of Control and sales behaviour but other researchers mentioned here have ignored the construct, although it is widely researched in other areas of psychology.

Conclusion

It would appear that the literature on sales personality is not very extensive, what there is follows

few theoretical concepts and is inconclusive. However, it is possible to establish empirical links between sales effectiveness and high levels of self-esteem and dominance. The literature also suggests that Need for Achievement could be a contributing factor and one study establishes this empirical link.

The characteristics of the job would also suggest that salesmen have a high need for autonomy, a need for affiliation, the ability to be socially manipulative and to feel that they have some personal control over events.

Of these personality characteristics research indicates that self-esteem is probably related to the desire for money, need for achievement in the business sense is normally measured in financial terms and machievellion types tend to manipulate any money situation towards themselves. If salesmen have high levels of these traits then money could easily act as a prime motivator and linking pay directly to performance should appeal to such a personality.

Sales Personality and Pay

Salesmen probably need to maintain a higher level of motivation than many people in many jobs. They need to face a constant series of rejection as a matter of course, they interact with people constantly - a highly stressful process and they span the boundary between the organisation and its customer - a situation shown to be particularly difficult and stressful.

However, salesmen have a great deal of autonomy, the job has enormous variety, the task is interesting and varied and performance feedback is direct and immediate. The job already has all the characteristics of an enriched job (Hackman & Oldham 1974, Becker, Morgan and Pritchard 1982) suggesting that the techniques of job re-design would have little chance of being effective in enhancing sales performance, if indeed, they are capable of so doing. That leaves pay as a potential motivator.

Some writers in the field of sales incentives (Bullus 1983:4) regard the idea that money motivates sales performance as dated and untrue and, clearly influenced by Maslow (1954) suggest motivating salesmen through self-esteem and self-actualisation. Indeed in one research study Smallbone (1971), after correlating performance indices (not objective performance measures), with salary only, high incentive and low incentive payment schemes in 159 companies fails to find any link to suggest that money was making a significant contribution to high performance. This study suggests that successful sales individuals have a high need for Achievement and are therefore intrinsically motivated.

Both writers (they are not researchers or serious academics) are in the minority - most writers and researchers in the sales area are convinced that money will enhance sales performance and Pecotich (1979) finds that pay is the single most important source of anticipated satisfaction in a group of 40 sales people.

Evidence for this belief is shown by the fact that in the United Kingdom 53% of marketing companies have some form of incentive scheme in which commission represents up to 40% of a salesmans income (Philpott 1976). For the car salesman over 90% of companies use a commission system with the incentive element varying from 100% to 60% (Sewell 1978).

Perhaps a definitive view (if not, certainly a much quoted view in the pay sales literature) is put forward by Tosdal (1953:61) who believed, 'Financial incentives appear to be particularly effective with salesmen, but they are by no means the only incentives to which salesmen respond.'

In a well argued, logical article Tosdal (1953) suggests that salesmen have a variety of intrinsic needs (status, achievement, competency) which need to be taken into account from the managerial perspective. He then suggests setting particular objectives for the payment plan which take account of salesmen's needs as well as company objectives. He states that the incentive element of the pay plan should depend on the particular and peculiar sales task. He reviews his study of 1254 sales forces and concludes that a combination of basic salary and commission is probably the most effective way of paying salesmen and achieving the company objectives. Although this article is not empirical, (the study representing the authors experience rather than a research exercise) it contains a great deal of intuitive good sense on which

many sales payment schemes have subsequently been founded.

Smythe (1968) surveyed the sales payment practices of 444 manufacturing companies employing 16,263 salesmen and establishes that the incentive element of pay is increasing and currently ranges from 4% to 82% (with an average of 26%) of basic salary.

He identifies that the commission element depended on the amount of selling skill needed, and the characteristics of the product and the company. Unfortunately, the article draws conclusions without presenting the performance data so the degree of relationship between pay and performance is unclear. One can only hope that the author draws logical inferences from the data, although as this is a pragmatic article by a practitioner the results are unlikely to be interpreted with scientific rigour.

A more scientific attempt to try and establish how salesmen respond to financial incentives was undertaken by Darmon (1974). Taking advantage of a naturally occurring change in the payment plan among two groups of salesmen ($n = 12$, $n = 11$) the researcher examines performance data over a period of four years (two years before and two years after). The salesmen were already on a commission incentive scheme, so when they changed to another pay plan it was difficult to identify any increase or decrease in pay which was related to performance, but using mathematical models

Darmon (1974:420) was able to predict probable performance under the old system and compare it with the new system. He identifies two groups of salesmen - a group in which the probability of an increase in income appeared to cause an increase in performance and another group who chose to work less (increase leisure) and so sold less but still maintained or increased their income. He does not comment on whether there are any personality characteristic differences between the two groups. He does, however, speculate that each salesman has either consciously or subconsciously, an income level he wishes to reach and maintain and, given a payment system or change in the system will adjust his activity to achieve this income. Interestingly enough, the phenomena of the salesman who will maintain a specified level of income is enshrined in motor trade folk-law, with the barrier of the car salesmens 'comfort level' as a well known problem to any change of the pay system. This study provides additional evidence that pay and financial incentives do influence behaviour, particularly during a change in the pay system but it does not enable us to conclude that a change in pay will influence or improve performance.

Oliver (1977) uses an Expectancy Theory model to try and evaluate the value of pay to a group of insurance salesmen. As, in his subjects, pay is directly linked to performance a high valence for pay should lead to improved performance. Using a

questionnaire and correlation technique in a sample of 99 male insurance agents this research found that the valence for money decreased with age and that agents with the highest valence for pay perceived a greater likelihood of receiving it - indicating that there is a type of personality motivated by money.

If one assumes that individuals will maximise their economic gain (as do economists and Taylor 1922) then Farley (1964) suggests a comprehensive model for creating a sales compensation plan. Assuming that the quantity of the product a salesman sells is an increasing function of the time he spends trying to sell that product Farley (1964:40) proposes a mathematical model which should optimise, not only the income of the salesman, but the profits of the firm. Davis and Farley (1971) extend the model by integrating targets or quotas into the model, so the company could centrally control the amount of the product it wishes to sell, while Tapiero and Farley (1975) integrate 'time' into the model, so that if different products take different amounts of time (or effort) to sell the model will still mathematically maximise earnings for the salesman and maximise profits for the company. Weinberg (1975) integrates another variable into the model by suggesting that profit and income will be maximised only where the salesman is controlling the price in a price bargaining situation. He identifies, as an example of such a situation, the automobile salesman who can give discounts and make

allowances on part exchange. It was not until 17 years after its original formulation that Farley's (1964) mathematical model and its extensions were investigated empirically.

Dalrymple et al (1981; Stephenson et al 1979) using a questionnaire and performance data from a sample of medical supply firms (n = 108) examined the effect on performance of three different payment systems - a commission system on a fixed gross margin (Farley 1964), a variable margin scheme and a salary plus commission and bonus scheme. Their survey showed that, while the model predicts that companies using gross margin schemes should have the highest level of profitability, such is not the case. The results suggest that gross margin schemes produce high income for the salesmen but not necessarily high productivity for the company. The results also suggest that while delegating price authority to the salesman may increase volume and salesman's earnings it does not increase the profitability of the companies concerned.

Even controlling for the influence of company size on the system the researchers conclude that there is little support for the theory of jointly optimal commission schemes. They note that there is a high correlation between sales and gross margins indicating that salesmen tend to think in terms of turnover rather than profit and let the gross margin take care of itself.

Another writer who attempts to evaluate the worth

of several types of sales compensation scheme is Steinbrink (1978). He surveys the pay practise of 380 selling companies, discovering that most use a salary plus commission system (a combination plan) and a few a salary or commission plan. He suggests a number of practical and motivational advantages for each scheme, but unfortunatly does not link earnings (which he clearly identifies over a period) to performance.

Gorick (1978), however, proposes a scheme and provides case study evidence which suggests that linking a bonus to the accuracy of the sales forecast, improves not only sales results but the accuracy of the forecast. He describes a system in IBM where the bonus was linked to the company objective, the salesmans forecast and the actual results. This case study is interesting in that it identifies not only one criterion for payment (eg Gross Margin) but two, and rewards on the interaction between the two. Such a system was suggested by Stata and Maidique (1980) who argue that there is no reason to limit pay reward to only one factor of performance (say profit or sales), but suggest that one can devise a method or a matrix which will reward two (or even more) facets of performance. The advantage of such a scheme is that it enables a number of different performance facets to interact and contribute towards pay without any undue concentration on one single factor, such as Farley (1964) suggests.

The idea that performance is a combination of a

number of factors is the theme of a suggestion put forward by Darmon (1982). He argues that the compensation plan should link the various facets of performance. It should also link both the salesmens objectives and the firms objectives, and he proposes a seven step process of consultation and participation, for devising a payment plan.

Implementing this suggestion in a group of 144 salesmen he was able (by cluster analysis) to identify four types of salesmen according to their attitude to the pay system - Incentive averters, Commission-oriented, incentive oriented and only-some-bonus-incentive salesmen. This again suggests that some personality types respond to money. This research demonstrates empirically that although individuals respond to the incentive system in various ways salesmen do appear to respond to money and can be broadly categorised accordingly, although the level of reaction to pay and motivation must clearly depend on the particular sales personality.

Conclusions

It would appear that pay does influence the type of people who become salesmen and that they respond well to a system which rewards their individual effort and affords them the opportunity to optimise their income. However, although there is a profound belief, among managers in the motor trade, that money will motivate salesmen, there is also a conviction that the present system is not

working too well. Some of the reasons for this were spelled out in Chapter Two. One must therefore seek a way of designing a more effective payment system for car salesmen.

CHAPTER 5

THE SALES PAYMENT SYSTEM

Sales Compensation

Salesmen have been paid on a variety of incentive based schemes for a long time and a body of pragmatic, non-theory based ideas have evolved based on experience. For example Tosdal (1953) is widely regarded as one of the authorities on sales payment systems. His recommendations are based on a study of 1,254 sales forces and, although prescriptive, his paper is well argued. He suggests that individual payment schemes are better than group payment schemes, and that salesmen are not totally motivated by money. He considers that intrinsic needs, such as the need for recognition, need for status, the need to excel and the need to have the opportunity to do good work, are important motivators, and stresses the necessity to set clear compensation objectives before designing a payment system. His suggestions are:

- 1) The plan should be devised to give an adequate income for acceptable work; so that it provides some form of security.
- 2) It should provide an incentive for additional effort, as well as being understandable.
- 3) The plan should be flexible enough to operate satisfactorily during periods of fluctuations in business conditions.

- 4) The plan should be cost effective in that it should increase sales at costs which are competitive or better.
- 5) The plan should be perceived to be fair.

It is difficult to find a flaw in such a practical and sensible set of objectives, although they are derived from practical experience rather than empirical evidence.

Smythe (1968) reviewed the payment practices and results of 444 companies, which included 16,264 salesmen. From this survey, and his experiences with sales commission systems, he concludes that a basic salary plus commission system is probably the most effective form of incentive. He suggests that the proportion of income dependent on performance should vary according to the types of product sold. The greater the necessity for social skills in the bargaining process the higher the proportion of incentive payment. This system should, according to Smythe (1968) motivate the salesman to 'Plan ahead, use time effectively, comply with management requirements and result in lower costs, increased profits and higher personal income.'

Gonik (1978) another pragmatist, suggests a pay system which, 'Rewards sales people not only for actual results but also for their effort and ability to forecast accurately.'

This plan calls for a system of commission payable on a matrix which is set according to the salesman ability to forecast accurately.

Apparently, the system was devised for IBM and works effectively in that organisation. It operates according to the principal that you should reward what you actually want achieved. In the Gonik (1978) system IBM are trying to achieve increased sales but, at the same time, increased forecasting accuracy. Presumably this is important for production reasons. The matrix is a device for allowing management to decide precisely which objectives it wishes to reward and provides a tool for allowing it to be done.

Steinbrink (1978) surveys the practices of 380 companies in 34 industries which includes over 15,000 salesmen. From this survey, and his experiences as a consultant, he concludes that the 'combination' plan of salary and commission is the best method of payment. He regards its advantages as;

Flexibility, the participants like it, there is a greater range of earnings possible, salesmen feel more secure, it maintains the ratio of selling expenses to sales, compensates salesmen for all activities and allows greater latitude of motivational possibilities.

He goes on to suggest that commission should be paid on gross margins rather than as a percentage of sales, an idea which fits the Farley (1964) model of an optimal payment system.

Many payment systems in practice today are based on the published experience of men such as these rather than empirically derived theories of the behavioural sciences.

However, if the behavioural sciences are to have any ecological validity it should be possible, using what is known, to create a workable and motivationally effective sales payment system. As the ethos of salesmen (and sales management) is that individuals respond to a commission based incentive, perhaps a workable payment system for salesmen can be designed using the Expectancy Theory Model (Lawler, 1971), a boundary condition of which is that payment should be contingent on performance, or the performance to outcome probabilities must be as near as 1.0 as possible (Graen, 1969).

A Proposed Car Salesmen's Payment System

Current Practice

The purpose of any payment by results system is to link pay directly to performance so that any economic gains or losses resulting directly from changes in an individuals performance accrue to him. As explained in Chapter 2, this is quite a complex concept to implement in the retail motor trade, for three reasons:

1. There is a conflict between optimizing unit sales or maximising profit on the sale.
2. The only behaviour rewarded is the car sale (unit sale) yet salesmen are required to undertake other tasks such as administration, customer follow-up etc.

3. There is a problem in the definition of the profit on the sales of a car because of the necessity to take another car in part-exchange.

As explained earlier (Chapter 2) there are many minor variations in how car salesmen are paid, but essentially they receive a modest basic pay and a percentage of the 'retained gross profit' on the sale of a car. Popular opinion and some theory then predicts that they will optimize their personal income and company profit (Farley, 1964).

Generally, payment by results systems can be classified into group and individual systems. In some environments, group systems have been known to work moderately well (International Labour Office, 1968; Whitmore and Ibbetson, 1977:118; White 1981) but they have never found favour in the retail motor trade, where almost all payment systems are direct individual systems.

A good example of such a system is provided by one of the research sites which is fairly typical of Ford dealers in the UK. In this dealership all salesmen are paid a basic salary of £2,500.00.

In addition to basic pay the salesmen received 11% of the Retained Gross Profit on new cars sold and 13% of Retained Gross Profit on used cars sold. Retained Gross Profit (RGP) in this dealership was defined as:

. . . profit remaining after deduction of VAT, car tax, trading allowance and discounts.

The definition of profit tends to vary from dealership to dealership, some reducing the RGP by charging a "house charge" designed to reflect the direct costs of the dealership.

Earnings of salesmen in this particular dealership ranged between £6,000 per annum to £13,000 per annum, so commission represented from 60% to 75% of total income. These total earnings are about average for durable goods salesmen in the UK whose average income in 1979 was £10,272 with 29.3% of that arising from commission earnings (Dunkelds and Caslin, 1979). Income Data Services (1983:52) also report a range from £5,751 to £10,182 for similar jobs. The level of income is fairly typical in the motor trade.

Problems with System

There are considerable problems with the pay system generally. For example, in the above dealership the profit on each deal and the resultant commission was often influenced by bargains struck between salesmen and the sales manager, a practice that varies from dealership to dealership depending on profitability and the sales manager. In one dealership surveyed 50% of sales were subject to a 'special arrangement.'

Other external environmental factors apart from the salesman's ability to sell have a profound effect on a salesman's performance, his subsequent expectation that effort will lead to performance ($E \rightarrow P$) and his consequent income.

Over the last few years a depressed economic climate has reduced the overall market for cars and so each salesman sells fewer cars, while currently over-production in a buoyant market has led to the necessity for dealers to give large discounts. This reduces the profit on the sale and consequently sales commission levels.

As in other industries, the rate of inflation over the last few years has radically changed the proportion between basic pay and commission: with little effort being made to correct any distortion, as employers argue inflation also increases commission earnings.

The commission element of the system currently represents about 65% of a car salesman's total income. In comparison with other salesmen this appears to be a very high proportion to be directly dependent on performance.

A recent survey by the British Institute of Management (Philpot, 1976) showed that 53% of marketing companies have some form of incentive element, but they also report that the percentage of companies offering incentive schemes had declined quite rapidly over the preceding five years. The survey also reveals that in only 16% of companies does commission represent more than 40% of total income, so that the ratio found among many car salesmen is most unusual.

The car salesman must hold one of the few jobs where the majority of his income is dependent on individual effort and ability.

A further major problem with the pay system is that management appears to have a fear of paying too much commission and subsequently tends to adopt strategies which reduce the pay of successful salesmen. Some evidence of this is provided by the remarks of the Sales Manager (Appendix B) who considered the salesmen earned too much in relation to effort. The fact that pay was related to performance not effort, is ignored. One dealership has a 'regulator or charge' which can be levied as a variable cost before calculating the retained gross profit on which salesmen are paid.

It has been suggested elsewhere that management have a perception of a particular weekly wage value which is related to effort rather than performance and that wage rates are set in relation to this perceived value (Baldamus, 1961:115). Perhaps management manipulation of the system in the motor trade is further evidence of this.

The conventional managerial belief is that salesmen have the opportunity of optimizing their income; but it is apparent that, among car salesmen the perception that performance will lead to an optimal outcome is low. This is in spite of a system which, by linking pay to the profit on the sale, is supposed to optimize both income for the salesman and profit for the company.

There are many problems within the system itself. As car salesmen are paid a flat percentage commission on each particular deal in sequence, this tends to focus attention on the first few transactions of any particular accounting period and the profit thereon until a desired level of income is reached. The fact that car salesmen tend to earn a consistent income year by year and that the rank order of salesmen from best to worst rarely changes, suggests that salesmen set themselves an anticipated satisfactory level of income and when this is earned they cease to perform as effectively. Empirical confirmation that this is a facet of mature pay systems is provided by Darmon (1974:419).

There is also evidence that as the amount of pay a person receives increases, so the valence of the incremental income decreases (Gellerman, 1968:144; Lawler, 1981:88). This means that the perceived value of the commission paid on the 15th car sold in the month is far less than the value of the commission on the 1st car. Motivation to perform, therefore, decreases during any accounting period as the salesman sells more cars.

All such problems with the payment system effect the salesman's perception, either that his effort will not result in a successful performance or that his performance is not going to lead to the desired optimal outcome. As a consequence he is unlikely, at any time, to be operating as his optimum performance level.

Implications for Developing an Improved Pay System

If it is wished, to optimize a salesman's performance and if we wish to continue to operate at a sustained high level, then the Lawler Model (1971:108) would predict success if the system

- a. Creates the belief that effort will lead to satisfactory performance, ie increase $E \rightarrow P$ ratio. This is a function of the salesman's self-esteem, previous experience and the internal or external attribution of causality. (Weiner, 1974:37)
- b. Creates the belief that performance will lead to satisfactory outcomes ($P \rightarrow O$). At the first level the outcome is the sale of the car, a sense of achievement and enhanced self-esteem. Second level outcomes are simply being paid the expected amount for satisfactory performance (Galbraith and Cummings, 1967:239).
- c. Maintains the valence of desired outcomes bearing in mind that the perceived value of incremental amounts of pay decrease as income increases.
- d. Reduces and mitigates the effect of constant rejection (anxiety) by methods of enhancing self-esteem.
- e. Rewards those activities which it is wished the salesmen to perform and which are not directly sales related. (Jenkins and Gupta, 1983).
- f. Appeals to personalities with a high valence for pay and maintain that valence over time.

In addition the administration of the scheme should not act to reduce the direct relationship between the act of selling and pay (Dubinsky and Berkowitz, 1979) (ie reduce the subjective probability that selling leads to desired outcome) and the system must be readily understood by the salesman.

The problem with payment systems based on such complex concepts like 'added value' is that the link between performance and reward is so difficult to perceive and evaluate (Moulder and Murray, 1980), and that it is so very different from systems currently being used that neither salesmen nor management find it acceptable. As the weaknesses of current pay practice have been identified, it is not difficult to devise a revised system based on the concepts of Expectancy Theory (Lawler, 1971:108). There can be little wrong with the current practise *which provides* basic pay, but a more effective method of enhancing the salesman's self-esteem would be to use a system of job grading which recognises individual variation in the salesman's experience, maturity and expertise. Such systems are rare in the motor trade. For example, a car salesman could be paid a basic salary in accordance with his experience and expertise along the following lines:-

<u>Grade</u>	<u>Title</u>	<u>Age</u>	<u>Experience</u>	<u>Pay/Range</u>
I	Junior Salesman	20/24	1 year	£1000/£1750
II	Salesman	23/29	1 year	£1500/£2250
III	Senior Salesman	28/35	3 years	£2000/£3000
IV	Sales Consultant	30+	5 years	£3000 +

Individual basic pay rates can be determined by means of compensation survey of local dealers (Henderson, 1979:246) so that the levels of basic pay are perceived to be fair by the salesman (Adams, 1963). The effect of such an equitable basic pay structure should be to reduce anxiety and so enhance sales effort.

Such an arrangement is important because research (Cooper, 1981:202) has identified three consequences of high levels of stress or anxiety; ill health, job dissatisfaction and apathy and absenteeism - all of which degrade the amount of effort put into the job. Research also indicates (Wells and Marwell, 1976:74) that anxious individuals perform less effectively under stress and failure, and are less socially effective. Conversely high self esteem is a cause of successful performance (Tharenou, 1979:323). There are also researchers and practitioners who regard ego-strength (a synonym for self esteem) as the definitive attribute for a successful salesman (Mayer and Greenberg, 1964; Greenberg and Greenberg, 1976), so maintenance of self-esteem in this way is vital.

Increasing the salesman's self-esteem improves his perception that increased effort will lead to successful performance ($E \rightarrow P$), and also enables him to deal more effectively with constant rejection, the effect of which must be to reduce the subjective probability of his expectation of a sale.

Such a grading system which gives what salesmen consider to be an equitable basic pay, also has the advantage that it enables an employer to reward those parts of the job that do not involve selling, and enables him to promote a salesman for sustained high performance, or for accepting additional responsibility.

Commission

The key element of the sales pay system is commission, particularly in the car trade where it can represent 60-80% of a salesman's income. There is no evidence to suggest what proportion of a salesman's income should be dependent on commission to stimulate optimal performance. In other sales related jobs, the proportion rarely exceeds 40% (Philpot, 1976), but as long as the basic pay acts to mitigate anxiety, provides for basic needs and is perceived to be fair, it should make little difference. The fact that commission is such a high proportion of income may, in some cases, appeal to salesmen with a high need for achievement and a high and secure self-concept.

The Calculation of Profit

Commission payments are normally calculated on the Retained Gross Profit which is the contribution of the individual sales to the departmental profit. This can be calculated as follows:

	RETAIL SALE PRICE
Less	BASIC COST OF CAR
=	GROSS CONTRIBUTION
Less	OVER ALLOWANCE ON PART-EXCHANGE (1)*
	HOUSE CHARGE
=	NETT CONTRIBUTION OR RETAINED PROFIT

It is important that salesmen perceive this calculation to be fair; many do as it is the commonest method used.

*Note 1. Because in almost every car sale a part-exchange is taken in, no profit is made until all cars in the chain are sold. The 'wash-out' system suggests that no commission will be paid to the salesmen until all the cars in the chain are sold and profit calculated. The alternative is to write down the part-exchange notionally and calculate profit allowing for the notional write-down, or over-allowance, to give a 'stand-in' value.

The house-charge is a commonly accepted concept in calculating the profit on car sales. It used to represent a deduction from the gross profit of the sales departments direct expenses but, as with many aspects of commission systems, the principle is now rarely applied, and in the research sites the house-charge was a figure plucked out of the air by the sales manager. This charge could easily be calculated and subsequently perceived to be fair, by taking the sales departments direct expenses and dividing by the number of units budgeted to be sold. This would provide a logical basis for the figure and allow it to be reviewed annually when budgets are reviewed. It would also give the salesman some control over the figure as he is able to influence costs by saving expenditure (electricity, advertising, etc) or by selling more units.

The negotiating and settling of part-exchange prices is probably the chief cause of perceived unfairness. If possible the evaluation of the part-exchange should be independent and objective.

The Sales Director of a major Ford dealership recently reviewed his pay system. He commented, (in a letter to his Managing Director):-

Ideally, a commission system should be linked to the part-exchange on a 'wash-out' basis as certain problems exist when a part-exchange is taken in for retail. The 'stand-in' value causes constant problems on clean retail units and it is much easier for a salesman to buy a 'trade'.

The present gap in Glass's Guide (2) makes it very difficult to buy a part-exchange and then stand it close to 'bottom book' or thereabout. However, due to the complexity of a wash-out system and the problems involved with warranty, VAT, reconditioning, etc., on used units have made me discount this system entirely.

There is no simple answer to this problem, but management should be aware that it exists, bearing in mind that if salesmen are paid on the Retained Gross Profit and are allowed to control the price they should "act optimally both for themselves and the firm" (Weinberg, 1975:937). It is important to try to make sure that the method of valuing part-exchange is consistent, and ensure that the salesman's commission is not part of the bargaining process to establish the price of the part-exchange.

The Commission Matrix

Currently the commonest way of calculating commission is to pay a flat percentage of the Retained Gross Profit. The percentage varies slightly from dealer to dealer but is in the region of 10%. Sometimes the dealer will pay 10% on new car sales and 12% on used car sales. 80% of dealers pay between 2.5% and 10% (Sewell, 1978).

Note 2. The standard trade guide which gives a market price for all makes and models of cars.

This method has two major disadvantages. Firstly, the salesman is constantly faced with a conflict between unit volume or optimizing profit. He is constantly being exhorted to sell more cars as the dealer is set targets by the supplier. The governing factor in many sales is the price of the part-exchange. By allowing a higher figure on the part-exchange the salesman can take ~~an~~ easy route to selling another car. The effect of this is to reduce the profit on each unit when more sales effort could have resulted in a sale at a higher profit. As the salesman is paid a flat percentage of the profit, the tendency is to accept a slightly reduced commission, but make sure of another sale, the amount of profit being perceived as making only a marginal difference to the salesman's income.

Secondly, the perceived value of 10% commission on the 15th car sold in a month is much lower than the perceived value of the first as the perceived value of incremental income decreases as actual income increases, (Lawler, 1981:88). A flat rate, therefore, does not sustain motivation, which decreases over time as the valence of additional income decreases with increased sales. Consequently the level of motivation decreases during the accounting period.

In order to overcome these problems the author has designed a commission matrix which could apply to car salesmen (see Figure 5:1). The principles of such a matrix were suggested in an article by Stata and

Figure 5.1

SALES COMMISSION MATRIX

NO OF UNITS SOLD		Return Gross Profit (£'s)									
		0-50	51-100	101-150	151-200	201-250	251-300	301-350	351-400	400-450	450+
1 - 2						6	7	8	9	10	12
2 - 4			6		6	7	8	9	10	12	14
5 - 6				6	7	8	9	10	12	14	16
7 - 8			6	7	8	9	10	12	14	16	18
8 -10	6		7	8	9	10	12	14	16	18	20
11-12	7		8	9	10	12	14	16	18	20	22
13-14	8		9	10	12	14	16	18	20	22	24
15-16	9		10	12	14	16	18	20	22	24	26
17-18	10		12	14	16	18	20	22	24	26	28
19-20	12		14	16	18	20	22	24	26	28	30
22	14		16	18	20	22	24	26	28	30	32
24	16		18	20	22	24	26	28	30	32	34
26	18		20	22	24	26	28	30	32	34	36
28	20		22	24	26	28	30	32	34	36	38
30	22		24	26	28	30	32	34	36	38	40

Maidique (1980). The objective is to reward selling performance for both units sold and profit per unit, thereby avoiding the traditional conflict.

Under the matrix the salesman is paid a sliding scale of commission which ranges according to the units he sells from 6% for 1 and 2 units to 22% for 30 units (see figure 5:1). At the same time, the percentage increases as the profit on the unit sold increases. A salesman would receive 28% commission provided that the profit on the unit was £301-£350, and it was the 23rd or 24th car sold in the accounting period. The rate of commission increases by 2% per transaction until 20% is reached and then by 4% per transaction.

The matrix is calibrated by establishing the critical percentage to be paid for acceptable performance. There is no reason why, where different standards of performance are expected (say from Junior to Senior Salesmen) each standard should not have its own matrix. Careful thought should be given to establishing the 'key' percentage. This should be set by deciding on acceptable sales and unit profit standards evaluated by detailed comparison with departmental budgets. In this way exceptional performance (say twice the acceptable number of units sold at twice the profit) can be rewarded well, bearing in mind that any profit above budget attracts only variable costs and is marginal, incremental profit.

The particular matrix shows that a figure of 10% will be paid for a standard performance of 11-12 cars per month at a profit of £151-£200 per unit. Performance below the standard is penalised (6-8%) but performance above the standard is well rewarded. For selling three times the number of cars at twice the profit per unit, a salesman should earn 40% of the Retained Gross Profit. The graduated differences of 2% and 4% between the different levels have been set to ensure that the sums of money paid are perceived to have value irrespective of the previous level of earnings; so the valence of income is maintained.

It is assumed that the magnitude of the difference between figures in the matrix will maintain, at least the valence of the desired income - commission. The revised system is not some complicated Value-Added System with complicated formulas or even a group scheme. It is a simple theoretical adaption of the existing system which has worked, if not well, for a long time. Any differences are theoretically based, critical and vitally important. The scheme should enable the system to be cost effective and to increase the unit profit while allowing salesmen to earn more commission.

To summarize, current payment systems operated by much of the motor trade do not appear to work very well.

The system suggested here is predicted to enable the salesmen to optimise his income by achieving the dual goals of unit sales and optimal profit required by the dealer. There is no additional cost to the dealer who can afford to reward incremental sales well. The system should continue to motivate as the perceived value of payment increases during the accounting period so the salesman's selling effort will be highest (rather than lowest) at the end of period in order to earn at the highest level. As the system is linked to goals and budgets it will automatically be reviewed yearly and revised in the light of economic circumstances and the rate of inflation.

CHAPTER 6

THE RESEARCH ENVIRONMENT

The Motor Industry

No account of research in the motor trade would be complete without some attempt being made to describe the environment and to emphasise its importance both to the economy of the UK and to our way of life.

The industry is vital to our economy. It employs directly about 500,000 people and it is estimated that over 1 million people depend on the production of vehicles for their livelihood. Currently, it contributes about 12 billion pounds to the Gross Domestic Product.

There are about 19 million vehicles on the road in Britain and 92% of all journeys are by road. Vehicles have, over the last few years, become more reliable, safer and more economical. Servicing intervals are longer and breakdowns are rare. Death from road accidents have decreased from 7406 in 1973 to 5577 in 1983 in spite of an increase in the vehicles on the road and fuel consumption has improved from an average of 25.00 per gallon in 1978 to 29 miles per gallon in 1985. The motor trade sells and maintains the vehicles produced by the industry.

The Motor Trade

The retail motor trade consists, according to the Road Transport Industry Training Board (RTITB, 1982:8) of 20,200 companies employing 302,350 people. About 11,000 of these are so small that they are below the RTITB's levy cut-off point of a £21,000 total wage bill, and only about 1,000 garages employ more than 50 people. These larger dealers employ 55% of the people in the industry.

Most of the total sales of vehicles and repairs are handled by the comparatively small number of franchised retailers. A count of the manufacturer franchise list revealed that there are about 8,500 of these dealers, who according to the RTITB (1979:75), employ a labour force of about 216,000 employees or 63.3% of the total labour force in the retail motor trade. It is in the franchised sector of the retail motor trade that this research is based. It is an area which demands high levels of managerial skill, high levels of engineering skill, and the continual co-operation of the manufacturer, importer or concessionaire.

This sector can be contrasted with the much smaller 'used car' lot, which typically consists of an owner - salesman with few back-up facilities. It is suspected that it is this sector which accounts for much of the bad reputation ascribed to the motor trade.

Franchise dealers employ 12,805 sales persons (an average of 1.5% per dealership), 197 of whom were female (RTITB, 1981:36). Whether we like it or not, selling cars still appears to be a male preserve, and many of the conclusions of this study probably can not be generalised to female sales persons.

72% of these salesmen were aged under 40 with only 25% being between 41-60 years old. Not only is it a male preserve, it also seems to be a young mans occupation, with even 58% of Sales Managers being under 40.

For the year ending December 31st, 1983, salesmen in franchised dealers sold 1,792,000*new cars. This was a healthy increase of 15.2% over the 1982 figure and a record market.

In addition there were something like 1.5 million used cars sold, although there is some evidence that the number of used cars sold by the retail motor trade decreased during 1980, 1981 and 1982 (Lacey, 1983:115).

Yet in spite of what appears to be a healthy market, car dealers are experiencing some difficulties. On August 18th, 1982 , Motor Trader (the trade magazine) reported,

For every car dealer in England who is making an increased profit, two are making losses according to current surveys by Inter-Company Comparison Limited. The latest financial accounts in two surveys of a total of 854 companies in London, the South, the Midlands and the North show that 42.5% of quoted firms had losses compared with 15% with increased profits.

* Statistics supplied by the Society of Motor Manufacturers and Traders

These figures are explained by ICC as being the consequence of the economic recession, the cutting of profit margins, price wars, and the recent problem of 'parallel' imports or cut-price imported cars from the EEC. They go on to say,

If the retail motor trade in the UK is to survive in its present form, then attitudes and practices within the trade may have to change. Margins need be kept at sensible levels especially when dealing with company fleets or further liquidations seem to be inevitable.

These problems have continued into 1983 and 1984. The trade, in spite of record markets shows no sign of economic recovery. The Sunday Times (3rd July, 1983) comments,

... bargain buys - on many makes and models have been common place as rival makers and dealers slug it out in the most intense struggle for sales ever experienced. Crazy discounts, special incentives, zero interest, HP deals, multi-million pound advertising campaigns ...

All have been mobilised to snatch a bigger share of bumper 1983 sales, currently running 17% up on last years total. 'Its very bloody out there', says Trevor Taylor the Sales and Marketing Director of Austin Rover.

Many of these problems are caused by new product 'discounting' as the manufacturers compete amongst themselves for an increased share of the market.

British Leyland dealers in particular have suffered watching their share of the market decline from 23.5% in 1978 to 18.6% in 1984, while Ford has increased its market from 24.7% in 1978 to about 30% in 1984.

Price cutting is not the preserve of the motor trade alone as activities in the supermarkets and the petrol industry show, by Millman (1983:1) suggests;

In motor cars, Ford UK's widely publicised round of price cutting over a range of models in 1982, provided clear evidence of the lengths to which some companies are prepared to use the price weapon from a position of relative strength.

BL's answer to the problem was, once again to reduce its franchise network by about 30% - terminating the franchise of a minority, BL argued, so that the majority can survive and be profitable. In 1975, BL had 3,500 dealers and 31% of the market, in 1982, the company had 1,560 dealers and 17.8% of the market. The situation looks as if it will continue into 1985.

The Market Culture

The culture of the industry is unusual. By culture is meant,

... sets of values, norms and beliefs - reflected in different structures and systems ... climate of the present, by technology of the type of work ... (Handy, 1980:176)

The principle manufacturers, Ford, British Leyland and General Motors, insist on a solus franchise arrangement with a dealer.

Under this system the retailer agrees to sell only one make of vehicle, in return for which, he is granted a monopoly within a certain geographical territory. It is the manufacturers who market the product, rather than the retail dealer.

The dealers total marketing effort consists of an advertisement in the local newspaper, the occasional launch of a new product under the direction of the manufacturer, and of course, the sales effort and organisation.

The manufacturers argue that this arrangement reduces costs; both for the manufacturer and the retailer (Marx, 1980). In practise this arrangement puts the manufacturer in a position of power over the retailer who must comply with manufacturer demands or lose the franchise. The sources of power in the motor trade and its measurement are the subject of studies by Lusch (1976), Lusch and Brown (1982) and Frazier (1983).

For some people, the arrangement can be very profitable (Vanderwicken, 1972) but the manufacturer is clearly dominant in the relationship, insisting on compliance with a variety of criteria. These criteria lay down time standards in the workshop, levels of display and showroom space, the number of vehicles to be run as demonstrators and levels of stock. In many cases, the retail dealer will either pay for his vehicles in advance (in the form of a bulk deposit), or pay for them immediately they have left the factory gate. Certainly the dealer pays for vehicles before they are received. The reasons for such an arrangement are lost in the evolution and development of the trade, but a consequence is that the bulk of marketing and business expertise resides in the manufacturer organisation rather than the

retail side of the motor trade. Many of the companies in the retail motor trade are old established family companies, and this includes some of the largest. These companies have come to depend on the manufacturer to provide training, business advice and marketing direction. Very few dealers have any recognisable market strategy.

The dealer culture is car sales orientated as opposed to marketing or profit orientated (Vanderwicken, 1972; Khan, 1983:13). Many Managing Directors come from the sales floor and have little financial or commercial expertise. They tend to value experience in the trade over academic education and employ few business graduates. The general ethos is that of practicality and intuition rather than of planning, strategy, theory and return on investment.

Within this environment, British Leyland have something like 1,500 dealers operating nationwide. The size and composition of each dealer varies enormously, but among them there are a number of large companies who own somewhere between 25 to 150 dealerships. The bulk of this research and the pay manipulation was conducted in one such group which has 93 dealerships, and which will be called 'Britcars Limited'. A number of other BL dealers and Ford Dealers provided information when requested.

Britcars has a national network of branches, most of which sell British Leyland products. Because of the decline in British Leyland market share, this group has been at risk and has been operating on reduced profitability since 1978. In 1981 and 1982, the group lost money.

As part of its recovery programme, the group has been taking remedial action by changing the franchise in a number of dealerships or by buying into non-motor trade companies. In January, 1983, the Chief Executive of the group described the last twelve months as, 'A traumatic twelve months.' He commented,

The large losses meant that there simply had to be major changes involving difficult decisions and a very considerable restructuring. The fact that this happened to many other companies with equal severity over the same period is of little consolation to any of us.

He described an action plan in which he stated that the group will need to close branches that are losing money, sell property previously occupied by loss making branches, undertake more training to give employees better skills, strengthen the management team and spread the risk and group coverage by taking Ford, Vauxhall, Talbot, Renault, Rolls Royce, Dodge and other dealerships. Following the half year results announced in April, 1983, where a further loss was announced, the Chief Executive was replaced. Early in 1984 the group was taken over by a financial conglomerate.

The experimental research was conducted within a number of this groups dealerships based in the Midlands. These dealerships were not selected or allocated to a research condition randomly. A presentation of the research objective was made to a group of General Managers, a number of whom subsequently agreed to co-operate. All the research dealerships were Austin-Rover franchised and operated under the management of the Midland Regional Director. They were located in various industrial towns in the Midlands. Apart from such variables dictated by the physical layout of the building and the contract size, there is no reason to suppose there were any major factors which made any one dealership peculiar, or which made the experimental variables (ie car sales and profit) any different in any of the locations.

CHAPTER 7

METHODOLOGY

Introduction

The idea which gave birth to this research was the consideration of the motor trade aphorism quoted in a magazine. The comment was made 'A hungry salesman is a good salesman', in support of an argument for abolishing the basic pay and paying salesmen on a commission only basis. It was interesting that although there was a strong belief amongst Salesmen, Sales Managers, and General Managers in the retail motor trade, that money is the critical motivator of sales performance, this concept did not appear to be accepted by business school teaching and consultants in the field of management and motivation. The Hawthorne Studies appeared to have established the paradigm that money was not a critical motivator of performance (Roethlisberger and Dickson, 1964; Mayo, 1975), yet people in the motor trade still behaved as though it were. This research attempts to establish a design which could establish whether pay was the cause of sales behaviour and the performance of salesmen in the retail motor trade. The hypothesis to test was, whether, if the opportunity for the optimal pay were linked directly to sales and profit performance, would salesmen, with the appropriate personality traits exert more effort in order to improve

performance and obtain more of the desired outcome, 'increased pay'.

Principles of Research

The approach is psychological rather than sociological, and experimental rather than experiential. Although the case study approach has much to commend it and provides insights and much information, it is inevitably highly subjective and consequently it is difficult to generalise from the particular situation. Indeed, the authors knowledge, which comes from the experience of working for many years in the motor trade, and being aware of the ethos, the culture and common practise has helped this research. Nevertheless, the authors view of the motor trade is subjective and his attitudes coloured by many prejudices, one of which is about payment schemes. Fact, can only be ascertained by unambiguous, experimental research.

There are those who are critical of such experimental methodology in sales research. Arndt (1977: 185) vehemently condemns this approach, suggesting: 'Results from this (empirical) research are a narrow methodological repertoire, conceptual poverty and a conceptualisation of marketing as mainly a sellers' technology.'

This may well be true but dealing with narrow issues, one conceptual step at a time is a way to truth.

Popper (1979) suggests that the principle method for seeking truth and causality should be to develop a theory and then, by trying systematically and empirically to destroy it, establish a preference for those theories which have not yet been disproved, but which of course are disprovable.

The limitation of the methodology is that it is narrow, but its strength is that it provides a hope of establishing fact and causality rather than opinion and correlation.

This research is also intended to be applied rather than theoretical. Duckworth (1981:237) talking about the limitations of many psychological theories, suggests that, 'Another source of difficulty is the fact that most psychological theories have not been developed with practitioners in mind,' and goes on to explain that, although the foundation of psychological research is the theoretical model, many,

Existing theories do not lend themselves to being assembled into the broader conceptual framework required for problem solving, nor to being amalgamated with other potentially relevant theories such as theories of organisation.

By using the Expectancy Theory Model developed by Lawler (1971) it is anticipated that such problems will be avoided in this research.

This research is intended to build a bridge between theory and practicality. With this in mind, it was decided to take Lawler's (1981) advice when, in the

preface, he suggests that one of the best ways of advancing understanding of pay in organisations is to design, implement and evaluate a theory driven pay system in an organisation. If one is to understand and control as many of the potential variables as possible, and establish the causality of motivation it seems unlikely that there is any other way of tackling this particular problem. Such research would provide such a bridge between academic psychology and the practical world.

This research is also essentially a field study rather than a laboratory study. Laboratory studies have an immense value to the researcher as they control many variables very precisely, but they lack ecological validity. Theories also need to be tested and evaluated in the environment where they belong. It is difficult for the practitioner and the layman to translate principles from a study involving psychology undergraduates performing trivial meaningless tasks to the reality of the world of work. For example, some of the work on intrinsic motivation is founded on two laboratories studies (Deci, 1971). It is difficult to convince practicing managers that the principles which motivate students to solve a puzzle for a dollar can be applied to mature salesmen earning a living in this modern world.

This research consists, essentially, of two exploratory studies and a field experiment.

RESEARCH DESIGN

STUDY 1

This is a simple attitude study to try and establish car salesmens perceptions of their environment, (see Chapter 8). The technique used is the Kelly Repertory Grid (Fransella and Bannister, 1977).

STUDY 2

This is a correlational study to ascertain whether the personality characteristics identified as salient, for effective selling, for the literature and the job characteristics, are apparent at fairly high levels in car salesmen. The personality traits identified were Need for Achievement, Need for Dominance, Need for Autonomy, Need for Affiliation, Self-Esteem and Machievellianism.

The personality tests used were selected according to the criteria that they had construct validity (being based on a body of theory) were widely used in research (to make available comparative data) and were reliable.

Research Instruments

Steers and Braunstein Behaviourally Based Measure of Manifest Needs (MNQ)

nAchievement, nAffiliation, nAutonomy, and nDominance were measured using a recently devised test constructed by Steers and Braunstein (1976).

Although a comparatively new test (and hence comparative data is scarce) it had the advantage of being short and specifically relevant to measure these needs in a work context. The researchers report a Cronbach Alpha Reliability of 0.66 (nAch), 0.56 (nAff), 0.61 (nAut) and 0.83 (nDom) which on test re-test became 0.72, 0.75, 0.77 and 0.86 respectively. These are regarded as acceptable levels of reliability.

Two researchers (Williams and Woodward, 1980; Joiner, 1982) have been critical of this measure on the grounds that it has low reliability. It is important when evaluating a psychometric measure to keep in mind that internal consistency is only one measure of a test and that it is possible to have low internal consistency and highest re-test results. Indeed this is what is reported by the creators of the test (Steers and Braunstein, 1976). It should also be remembered that the internal consistency of a complex measure is more likely to be lower than a simple concept and that it is possible to have spuriously high internal consistency by composing questions which are very similar to each other. Consequently it is argued that the moderate levels of reliability reported in this research should indicate caution in the interpretation of results rather than a total rejection of the findings. (See Table 7:1)

Table 7:1

OCCUPATIONAL GROUP	SAMPLE SIZE (n)	nAch	nAff	nAut	nDom	Janis	Mach
Car Salesman	91	0.51	0.42	0.55	0.67	0.83	0.68
Nurses	40	0.02	0.52	0.35	0.50	0.88	0.63
Branch Managers (finance)	41	0.59	0.42	0.61	0.47	0.81	0.42

Reliability Co-efficients (Cronbach Alpha) in Several Samples
for the Manifest Need Questionnaire, Janis Measure of Self-
Esteem and Machievellianism Questionnaire

Janis-Field Measure of Self-Esteem

Self-Esteem was measured using the Janis-Field Feelings of Inadequacy Scale (Eagley, 1967). As well as being a widely used scale, it measures self-esteem in a social context and so seemed situation specific. Eagley (1967) reports split-half reliability of 0.72, while this research reports Cronbach Alpha of 0.83 (See Table 7:1).

Machievellianism

Social Manipulativeness, a construct based on a body of research by Christie and Gies (1970) was measured using the MACH IV test devised by the researchers. The test measures moral attitudes in a personal interactive situation. It is comparatively short, is widely used and the researchers report reliabilities (for the first nine samples) 0.79 (Christie and Gies, 1970:16). This research has acceptable levels of reliability reporting a Cronbach Alpha of 0.68 (see Table 7:1).

The Samples

The subjects selected were not random, being selected for practical reasons of availability rather than any other reason. However, none of the samples used were volunteers, thus avoiding volunteer bias (Maslow and Sakoda, 1952; Rosenthal, 1965), and there is no reason to suppose that the samples of car salesmen, nurses, and finance company managers are any different from any other car salesmen, nurses and finance company managers.

In the case of nurses there is a 100% sample of community nurses in one geographical location, so unless nurses vary geographically they should be representative. The sample of managers is a 100% sample of a particular geographical area.

With the car salesmen the tests were administered to all participants on a particular sales training course, so although they were not selected randomly from the population there is not likely to be any selection bias.

In order to establish the predictive validity of the battery of tests they were administered to the entire sales force of a Ford main dealer ($n = 13$) and the results correlated with performance figures for the previous twelve months.

STUDY 3

The Experiment

This is a quasi-experimental field study (Campbell and Stanley, 1963; Cook and Campbell, 1976) with two experimental conditions (pay and training) and two control groups - one 'in-company', to control for organisational variables and one in a nearby location to control for market variables. This gives the following design:

O	X	O	(Pay Manipulation)
O	Y	O	(Training Manipulation)
O		O	(Company Control Group)
O		O	(Market Control Group)

Observations were made up to a year before treatment and for six months afterwards, although some data is available for up to a year after the experimental period.

Allocation to each condition was not random, the management of the company selecting the experimental condition (thereby allocating salesmen) and the market control dealership is the only other BL dealership operating in that market. It is of similar size and employs six salesmen at the market control location.

Such a design controls for many of the threats to internal validity as History, Maturation and Testing effects are common to all groups.

Mortality, in this experiment, was a problem as salesmen joined and left the company during the research period. Indeed the reason that the experimental group is small is that four salesmen left and others joined. Where a salesman left, no data, except personality test data has been used. Where a salesman joined the company data has only been used where it has been possible to obtain exact reliable comparative figures. Where this has happened the situation is identified.

Instrumentation is a problem as performance measures can vary according to the rate of inflation and local market conditions. Inflation however is common to all groups. Market conditions are the subject of a specific control group trading in the same market.

As there was little communication between various research sites none of the compensatory problems suggested by Cook and Campbell (1976) are relevant.

Sample Size

The size of the sample is a threat to external validity although there is no reason to suppose that the salesmen used in the experiment and as controls are anything but typical. They have similar backgrounds to other salesmen, are about the same age and appear in many ways typical car salesmen.

The size of the sample is important for two reasons. Firstly, the sample needs to be big enough to enable one to do some statistical calculations. This reduces the possibility of regarding phenomena as general attributes when they could be due to chance or a random fluctuation of behaviour.

Secondly, the sample must be big enough so that it can be considered representative of the entire population.

Unfortunately the practicalities of research in the field often prevents this, particularly in the motor trade where the number of people employed at any one site is small. For research to continue in this area the limitations of small samples must be accepted. It is worth recalling that some of the most influential studies have used small samples.

The Hawthorne Studies (Roethlisberger and Dickson, 1964) used groups of five girls and Deci (1971) influenced the paradigm with a laboratory experiment using a group of 12 and a field experiment with a total sample of 8. It is, therefore, possible to generate some sound and influential hypotheses using a small sample.

Statistics

Both the design of the experiment and the size of the sample make the selection of appropriate statistics difficult. As Cook and Campbell (1976:232) comment no adequate statistical test for non-equivalent groups who pre-test performance varies, yet exists. However, even if such a test did exist the size of the sample and the unequal numbers make its application to this experiment difficult. As a consequence non-parametric statistics have been used, in the analysis.

The use of non-parametric tests needs no apology as, although no assumptions are made the distribution of the characteristic in the total population, the Wilcoxon, Mann-Whitney and Kruskal-Wallis are about 95% as powerful as the parametric equivalent, the t-test. (Klugh 1974:308).

In this analysis where a group is compared across two time intervals the Wilcoxon Matched-Pairs Signed Ranks Test has been used (Siegel, 1956:75). Where different groups are compared the Mann-Whitney u-test is more appropriate (Siegel, 1956:116).

Personality Measures

All the personality measures used in Study 2 were used however, in view of the importance of self-esteem it was decided to include another measure for the experiment. As the Lawler (1971) model also specifically includes a measure of Locus of Control it was decided to measure Locus of Control in this group of salesmen using the standard measure (Rotter, 1966).

Ecological Validity

This experiment has high ecological validity as it manipulated the actual pay of real salesmen in their usual work environment.

Research Problems

Because it was considered that the sales franchise and the culture of the manufacturer was an important variable the original experimental research design included six dealerships; one experimental and matched control group for British Leyland, Fiat and Ford dealers. The intention was to implement a revised payment system in one of each of the franchises, to monitor sales performance for a year after the implementation of the new payment system and to compare performance with the previous twelve months as well as with the performance of the control dealerships.

Such a research design would provide a large enough sample of salesmen to give statistical credibility while controlling or evaluating all the key environmental variables. These were considered to be:

- a) Manufacturer Culture
- b) Market Variations
- c) Size of Dealership
- d) Managerial Influence

An experiment using such a research design was agreed and arranged with the assistance and co-operation of three separate retail motor groups. Unfortunately a number of practical problems prevented the implementation of such an ambitious project. The Training Manager of the BL franchise who was supporting this research, was appointed Sales Development Manager. He subsequently wrote a letter saying,

My principle concern with your study is that I do not wish to be seen to make arbitrary changes of any sort until my initial period is completed. In other words, I do not wish to be seen to be pushing an untried approach in the light of our current performance across the group.

He therefore opted out of implementing an untried payment scheme because it was experimental and because of the current economic circumstances.

The Ford dealer, after the salesmen had been interviewed in some depth and personality measures obtained, asked for a report giving a critique of the company's current pay system. This had been evaluated in order to suggest the change, and presented, together with a summary of the benefits of the experimental system so that he could obtain Board approval.

Unfortunately, the Board would not approve any change in the pay system as the dealerships were experiencing a number of financial problems and the salesmen had joined a Trade Union. This particular dealership closed down six months later.

This only left two small Fiat dealerships from the original research design. The group which owned these dealerships was taken over by a financial group based in London. The new Board of Directors, although quite sympathetic towards research, were involved in selling dealerships and changing the management structure of the group. Unfortunately, there would be so many changes effecting performance during the period of research that it would be impossible to identify any experimental effects.

As six dealerships had proved too ambitious an aim in this particular economic climate, it was decided to re-structure the experiment using two Ford dealerships, knowing that this would limit the generalisability of any subsequent findings. It was intended that one dealership be experimental and one the control dealership. This meant not being able to identify manufacturer influence or evaluate the effect of dealer size as both dealers were similar.

Ford as a franchise was chosen because Ford dealers tend to be larger dealers than other franchise and employ more salesmen. One of the problems with research in this area is that dealers employ, on average, only two or three salesmen so that even if one is able to obtain

perfect performance data it is often impossible to obtain a large enough sample of salesmen to calculate reliable statistics.

The Managing Directors of the two Ford dealerships agreed to co-operate. One of the dealerships employed 15 salesmen and the other 10. Both were trading in similar Midland industrial towns so there was little difference in market size or market environment.

Some time was spent in talking to Directors interviewing salesmen, and obtaining personality measurements. As part of the process, the Group Managing Director was given a paper on the proposed new incentive payment scheme. It was agreed the system would be implemented in the experimental dealerships as from the 1st January, 1982. All this discussion at Board level on the sales pay system appears to have started a general review. The Personnel Manager subsequently decided, after consultation with the Board, to change the commission structure in all of their dealerships as soon as was practical. He explained that although it would, no doubt, be scientifically interesting to monitor the effect of such a payment system they were already fairly convinced that such a system would work and, with a number of minor alterations which would make it more practical from their point of view they intended to implement a similar system in all the dealerships.

In addition to altering the method of payment they also decided to change the structure of the sales force allowing more salesmen to sell both new and used cars and to sell in sales groups of three. The effect was to destroy any possibility of using this as a control dealership, and to make any longitudinal comparisons invalid. It would also make the cause of any performance change impossible to identify. It was possible to obtain performance data on the salesmen to match the personality data. This formed the basis for a small correlational study between personality and performance which would test the predictive validity of the battery of tests.

Early in 1982, the economic climate was such that dealers were reluctant to co-operate with a pay experiment. One Chief Executive approached commented,

I would very much like to co-operate with you but unfortunately it will not be possible in the foreseeable future because of a considerable number of re-organisational changes we are implementing at this time.

This was fairly typical of the response received and to some extent understandable as the motor trade, in the depth of an economic recession, was focusing all its managerial attention on survival.

However, as detailed earlier, one major British Leyland group agreed to co-operate with this experiment. The general proposal was put to a group of ten General Managers and several of them volunteered to participate in the research; one as an experimental dealership in which the pay system was to be altered, and the others as

controls. The experimental period was reduced to six months, this being the maximum period during which they would agree not to make any managerial or sales personnel changes in the experimental dealership. It was agreed that the experimental pay system would be implemented from the 1st January, 1983 to run to the 31st June, 1983.

Personality measures were obtained on all the research salesmen in all locations. In December the experimental salesmen were interviewed (individually) and briefed as a group on the new payment system. They were informed about the system under which they would be paid as from the 1st January, 1983. Two days later the main board decided to implement a structured sales system throughout the entire group and suggested it would be necessary to train all salesmen employed by the company in this scheme starting in January. If the experimental salesmen were to be trained in this way, it would not be possible to isolate the effect of the pay system.

Fortunately, it was possible to persuade management not to implement the structured sales system in the experimental dealerships or the control dealerships. It was also decided to include another dealership in the field experiment in order to evaluate the effect of the new structured sales system and to construct some form of comparison between this and the effect of the payment scheme. So out of this particular problem came a better experimental design.

At this time, the group personnel officer also launched a revised payment system for all group salesmen. The researcher was assured that even though the scheme had appeared only one month after he had submitted details of his scheme to the management, and in spite of the fact it was based on a matrix paying commission on unit profit and units sold (a critical and rare concept never used in the trade before) any similarities were entirely coincidental. It proved possible to prevent implementation of the new scheme in all research dealerships.

Two other problems have become apparent during this research which are endemic to field experiments. There have been a number of natural changes in staff. Salesmen appear to come and go between dealerships quite regularly. This had reduced the opportunity of compare before and after sales performance and reduced the size of an already comparatively small sample of salesmen.

There have also been a number of management changes within the group, the effect of which it is impossible to quantify. In the 'structured sales' dealership the General Manager left his job in March, 1983, and the Sales Manager in February. The Sales Manager was replaced. While it seems probably that the Sales Manager has a marked effect on the sales team (Ryan and Weinberg, 1981), it would prove almost impossible to quantify.

Such are the problems of field research, but it is considered vitally necessary to attempt such research and to try and establish the results of laboratory experiments as having credibility in the 'real world'.

Research Morality

One of the reasons for the concentration of psychological research on laboratory experiments is the difficulty in justifying, morally, the manipulation of other peoples lives and the interference with an organisation.

After all, this experiment has an effect on the lives of all the salesmen concerned, particularly those in the experimental dealership who had their method of pay changed. In order to overcome such problems it was suggested by the management that the two schemes be run in parallel but the experimental problems of identifying causality prevented serious consideration of this option. To get a clear result and ecological validity it is necessary to actually manipulate someones pay system and hence their income.

It is argued here that this manipulation was justified for a number of reasons:

1. It is the only way of establishing ecological validity.
2. The current pay system within the dealership was in a state of decay and would have been revised whether or not the experiment were suggested.

3. The calculation of the various commission rates was set deliberately high so that, given the same sales performance as last year the salesmen would earn more income. This was agreed anticipating an increase in the market.

It is considered that this research in no way breaches the Code of Conduct (BPS, 1983:242).

Specifically, the research was carried out,

In keeping with the highest standards of scientific integrity and that the interests of participants are safe-guarded.

The participants were the organisation and the salesmen. Great care was taken to ensure that neither was harmed by the experiment the condition of which were intended (and expected) to benefit both.

Although it was not possible to ask the consent of some of the participants to an alteration in their method of pay (Clause 3), the organisation did consent and, the interests of the salesmen were safe-guarded.

Furthermore,

... all reasonable steps (were taken) to ensure (the subjects) adequately understood the nature of the investigation or intervention and its anticipated consequences.

Finally there was no breach of confidentiality, all participants being anonymous and no information was given to management about the personality or performance measures of the salesmen.

It is argued that the experimenter and management were concerned and took active measures to ensure that

salesmen were not harmed in any way. It could be a criticism of this experiment that salesmen involved were not given any choice as to whether to choose the experimental pay system or remain as they were.

Comments from the experimental salesmen (Appendix C) and subsequent earnings show that salesmen preferred the new system and earned substantially more income during the experimental period than they had anticipated.

To summarize, it is apparent that there are considerable problems in establishing a valid field experiment which identifies and controls the variables of interest. Nevertheless, it did prove possible to establish an effective experimental design. Although the experimental pay group is comparatively small, there is a viable control group and the second control group enables one to control for any Hawthorne effect.

CHAPTER 8

STUDIES 1 AND 2

Individual behaviour can be viewed as an interaction between an environment and the personality or other characteristics of an individual.

Chapter Two, for example, suggests that salesmen form ideosyncratic perceptions of their customers which influence the sales approach, while Chapter Four, concludes that there are a number of personality traits which appear to be common to salesmen which, therefore, one assumes, facilitate selling. In order to examine further these characteristics and to seek a solution to the simple question, 'What are Car Salesmen like?' and 'How do they differ from people in other occupations?', a number of limited studies were undertaken.

1. An attitude study
2. A personality study
3. A personality and performance study

STUDY 1

How Salesmen Construe People in the Work Environment

Introduction

Chapter Two suggests that Car Salesmen are particularly good at evaluating people and form accurate stereotypes. Certainly the model proposed by Weitz (1981a, 1981b) suggests that impression formation is an important aspect of the selling interaction while Cook (1979:119)

states that,

An incorrect first assessment will lead to the wrong move being made, and incorrect interpretation of the effects of the first move will make things worse, which all tends to imply that most people, profiting from speedy recognition of their mistakes, will become accurate judges of character and intention. Somehow, they mostly fail to do so; the most striking finding to emerge from the extensive, jumbled literature on 'Accuracy of Person Perception', is how very inaccurate most people are most of the time.

It could be that this ability to create accurate first impressions is an important component of the sales character. To examine this aspect of salesmen and to establish whether there was any common system used to categorise people in the working environment an exploratory study was undertaken.

Method

Using the Repertory Grid Technique (Fransella and Bannister, 1977) a group of salesmen were interviewed. The constructs elicited were then subjected to manual classification.

Subjects

The subjects were a group of ten car salesmen all working for a Ford Main Dealer. The average age was 40.4 (S.D.9.5.) and they had been employed in this job for 57.5 months (S.D.25.5)

Procedure

In accordance with Repertory Grid Procedures (Fransella and Bannister, 1977) each salesmen was asked to identify and write on a card the name of certain

specified elements. These were:-

- | | | |
|-----|---------------------------------------|-------------------|
| 1) | A Sales Colleague you like | |
| 2) | A Sales Colleague you dislike | Peers |
| 3) | The most successful salesman you know | |
| 4) | The Sales Manager | Authority |
| 5) | The Managing Director | |
| 6) | A customer you like | |
| 7) | A customer you dislike | Customers |
| 8) | A good customer | |
| 9) | An interesting customer | |
| 10) | A workshop mechanic | |
| 11) | A service receptionist | Other Departments |

The purpose in specifying particular elements was to focus elicited constructs on the work environment and explore as many aspects of this as possible.

The elements were then presented to each salesman in triads and the salesman asked to suggest a way in which one element differed from the other two. Each salesman was presented with the same triads in a pre-arranged sequence. These were:-

Presentation 1	1	2	3
Presentation 2	7	2	3
Presentation 3	4	1	2
Presentation 4	1-	4	7
Presentation 5	2	10	8
Presentation 6	3	7	6

Presentation 7	2	8	11
Presentation 8	8	11	5
Presentation 9	3	6	11

Other triads were prepared but no salesman was either prepared to, or able to, suggest additional constructs after the ninth presentation and some did not reach that far. Salesmen were asked to evaluate constructs on a scale 1 to 7.

Results

The constructs elicited for each salesman are shown in Table 8:1. Attempts at classification by individual presentation and a comparison of individuals did not produce any consistent results, but a subjective manual classification (see Table 8:2) suggests that the fall into five general categories; friendliness, co-operativeness, character, appearance and temperament.

TABLE 8:1

CONSTRUCTS ELICITED FROM A GROUP OF CAR SALESMEN USING THE REPERTORY GRID

Salesman 1

Reliable-Temperamental
Manual Worker-Non Manual
Has Authority-Colleague
Knowledge of Cars-No Knowledge
Amiable-Bad Tempered
Patient-Hasty
Patient-Hasty

Salesman 2

Unreliable-Reliable
Off Hand-Amicable
Forcing-Weak
Happy Go Lucky-Miserable
Pleasant-Unpleasant
Helpful-Unhelpful
Hard Worker-Idler
Confident-Shy

Salesman 3

Pushy-Not Pushy
Easily Upset-Placid
Even Tempered-Volatile
Self Opinionated-Open Minded
Gentlemanly-Coarse
Pleasant-Unpleasant
Smart-Untidy
Tactful-Tactless

Salesman 4

Placid-Aggressive
Sensible-Not Sensible
Logical-Illogical
Hostile-Friendly
Threatening-Not Threatening
Nice-Difficult
Scruffy-Smart
Fair Minded-Biased
Consistent-Inconsistent

Salesman 5

Likeable-Not Likeable
Honest-Dishonest
Methodical-Inconsistent
Enthusiastic-Not Enthusiastic

Salesman 6

Like-Dislike
Unwilling to Believe-Trusting
Speak Their Mind-Close
Enjoys Sport-Not Sport Minded
Successful-Unsuccessful
Hard Bargainer-Not Hard Bargainer
Amiable-Not Amiable

Salesman 7

Easy To Get On With-Not Easy
Argumentative-Not
Extrovert-Introvert
Earns More Money-Does Not

Salesman 8

Nice-Nasty
Aggressive-Not Aggressive
Intelligent-Not Intelligent
Good Salesman-Not Good
Self Important-Equal
Smart-Untidy
Sports Minded-Not

Salesman 9

Friendly-Unsociable
Unlikeable-Likeable
Helpful-Unhelpful
Awkward-Easy Going
Arrogant-Not Arrogant
Easy To Deal With-Not
Slow-Quick
Mean-Generous
Self Opinionated-Not

Salesman 10

Co-Operative-Not
Arrogant-Easy Going
Sociable-Not
Smart-Sloppy
Strong Character-Unreliable
Self Confident-Easy Going

TABLE 8:2

MANUAL CLASSIFICATION OF CONSTRUCTS ELICITED FROM A GROUP
OF CAR SALESMEN (n = 13)

Friendliness (attitude)

Friendly/unsociable/likeable/nasty/amiable/
pleasant/easy going/easy to get on with.

Co-Operativeness (behaviour)

Helpful/awkward/co-operative/argumentative/
reliable/easy to deal with/arrogant/aggressive/self-
important/pushy/self-opinionated.

Character

Strength of character/self confident/successful/
hard bargainer/hard worker/sensible/logical.

Appearance

Smart/scruffy/sloppy/untidy.

Temperament

Generous/mean/extrovert/introvert/happy-go-lucky/
even tempered/honest/trusting/unwilling to believe.

Discussion

The objectives of this study are, and were, intended to be limited. They were essentially to give the researcher a feel for the world of the car salesman, and to suggest areas which might repay further research.

Because of this it is difficult to draw firm conclusions. Although all the salesmen working at the dealership were interviewed the sample consists of ten individuals who may, or may not, be typical of the population of car salesmen.

Neither was the attempt to have the salesmen rank the constructs successful as, having established a bipolar construct the salesmen appeared to have difficulty in suggesting an evaluation along a continuum. The customer or colleague was either likeable to not - efforts to establish a consistent degree of the construct were not successful, took considerable time and were subsequently abandoned.

The attempt to focus attention on specific aspects of the workplace either did not work or was not salient. There appears to be no general category of construct to evaluate a customer, (Presentations 4, 5 and 6) all salesmen's perceptions being phenomenological.

Consequently, these results, in view of the weakness of the research design, the difficulty with the research implement and the subjective nature of the classification supply only a weak indication of the nature of the

salesmens perception.

This indication does however, support the view that salesmen do use some general format for categorising the environment (including customer interaction) as indicated in Table 8:2. As Cook (1977:99) suggests, the mechanism by which individuals perceive each other and form impressions is an open question which, in view of its importance in the sales interaction, would repay further detailed, systematic research.

STUDY 2

The Personality Characteristics of Car Salesmen

Chapter 4 concludes that perhaps the particular nature of the job of a car salesman calls for a certain personality profile. To some extent the literature supports that view, and a number of studies have reported significant relationships between personality traits and performance (Greenberg and Meyer, 1980; Williamson 1980) or other sales behaviours (Teas 1981; Saxe & Weitz 1982).

In order to investigate further how car salesmen are different from other people in other occupations (if indeed they are) a personality study was undertaken.

Method

Groups of people in different occupations were given a battery of personality tests. These tests were the Manifest Needs Questionnaire (Steers and Braunstein, 1976),

which measures nAchievement, nAffiliation, nAutonomy and nDominance, together with the Janis-Field Feelings of Inadequacy Scale (Eagley, 1967), as a measure of social self-esteem; and the Mach IV Scale (Christie and Geis, 1970), as a measure of social manipulativeness (see Chapter 5 for details of Research measures).

The subsequent scores were then subject to statistical analysis.

Sample

The participants were ninety-one car salesmen, forty community nurses and forty-one finance company branch managers.

The car salesmen all sold new cars for either Ford, British Leyland or Volvo. They had a mean age of 27.6 years and had been employed in that particular job for 15.39 months. Although the selection of these salesmen was not random, there was no bias other than that imposed by selecting salesmen to attend a sales training programme. Dealers are required by their contract to send so many salesmen a year to a training course. As they had been employed for some time it is assumed that they reached the minimum level of performance to survive in the job. No performance measures were available.

The nurses consisted of the entire population of community nurses for one area. Nurses were selected as a comparative group as they appear, subjectively, to provide a natural contrast to car salesmen.

They should be caring, and concerned, but not devious or manipulative. The average age of the nurses, who were all female, was 41.4 years and they had been employed in that particular job for 66.5 months.

Finance company managers, on the other hand, form a natural comparative group. The job is a selling job and they sell to those in the motor trade. There is some movement between the two occupations and at least one of the group of Finance company managers has been a car salesman. As they are salesmen one would expect a great similarity of personality traits although, as they are managers perhaps they should have a higher dominance than the car salesmen. The group had a mean age of 40.5 years and had been employed in that particular job for 78.6 months.

Procedure

With both the car salesmen ($n = 91$) and the finance company managers the tests were completed under classroom conditions at a training school. The car salesmen were on training programmes at Ford, British Leyland or Volvo. There was no significant difference between the three groups.

The finance company managers were attending a training programme on 'motivation'. These were three batches representing different geographical locations. The sample represents half of the population of this particular company.

The community nurses were handed the questionnaire at one of their routine meetings. The purpose of the research was explained and the questionnaire were returned during the following 14 days.

Results

Table 8:3 sets out the scores for each occupational group for the various traits.

nAchievement

As one might expect finance company managers and salesmen have similar nAchievement score. Car salesmen have a significantly higher score than nurses ($t = 7.7$, $df\ 129$, $p < 0.001$ two tailed). However, as the reliability of the nurses score is low (Cronbach alpha = 0.02) the conclusion that salesmen have a higher nAchievement than nurses is not justified. However, the low reliability of the nurses ~~score~~ could suggest that nAchievement is just not a salient concept with nurses (although the moderate levels of reliability in the other groups confirm the evidence which suggests that nAchievement is a male trait (Patty and Safford, 1977)).

nAffiliation

As predicted nurses have a significantly higher nAffiliation than car salesmen ($p < 0.001$, $t = 4.93$ $df\ 129$ two-tailed), however an interesting finding is that some finance company managers have a ~~nearly~~ significantly higher nAffiliation than car salesmen (~~not significant~~ $t = 1.39$ $df\ 130$)

TABLE 8:3

OCCUPATIONAL GROUP	SAMPLE SIZE (n)	AGE	TENURE	n ACH	n AFF	n AUT	n DOM	JANIS	MACH
CAR SALESMEN	91	27.6 (7.4)	15.4 (19.3)	27.3 (3.4)	17.7 (3.8)	21.6 (4.3)	23.1 (4.6)	134.9 (20.9)	79.6 (13.9)
NURSES	40	41.4 (8.2)	66.5 (52.6)	21.6 (2.7)	21.1 (1.8)	18.2 (3.7)	19.9 (3.6)	106.8 (23.3)	66.1 (13.3)
BRANCH MANAGERS (Finance)	41	41.2 (8.1)	81.5 (51.4)	27.2 (3.1)	20.6 (2.9)	16.9 (4.1)	26.3 (3.6)	138.1 (14.3)	63.7 (9.8)

Comparison of Demographic and Personality Traits in three occupations

This is, again an indication of the competitive nature of the job of a car salesman compared with the cooperative nature of the other two occupations. A car salesman competes with his peers, the other two groups co-operate.

n Dominance

As one might anticipate the branch managers have the highest nDominance being significantly higher than car salesmen ($p < 0.001$, $t = 4.1$, $df\ 130$, two-tailed). However, salesmen have a significantly higher nDominance than nurses ($p < 0.001$, $t = 3.64$, $df\ 129$, two-tailed).

Self-Esteem

It is surprising to find that both salesmen and branch managers have a significantly higher level of social self-esteem than nurses (salesmen $p < 0.001$, $t = 6.88$, $df\ 129$, two-tailed). Perhaps this is an indication of the salesmans higher than average self-esteem rather than the nurses lack of confidence in a social situation.

Manipulativeness

It would appear that car salesmen have a significantly higher level of social manipulativeness than nurses ($p < 0.05$, $t = 2.1$, $df\ 129$, two-tailed). This one would anticipate given the nature of the two occupations. However, it is surprising to find that car salesmen have a significantly higher level of social manipulativeness than finance company managers ($p < 0.001$, $t = 6.74$, $df\ 130$,

two-tailed). Perhaps the nature of the finance company managers product (money), with the ethos of having to be beyond reproach to handle such a product is reflected in this result or perhaps the car salesman has to be a little more devious to survive. It is worth stressing that Christie and Geis (1970:193) regard a score of about 80 as 'normal' with 100 to 120 being considered high. The ethos of nursing would suggest that their score should be low.

Discussion and Conclusions

The results do suggest that there are differences between the personality profile of car salesmen and other groups. They appear to have a higher level of social self-esteem and a higher level of social manipulativeness than others.

Because of the problems of reliability of measurement (see Chapter 6) conclusions drawn about the level of needs as measured by the Steers and Braunstein (1976) MNØ need to be treated with some caution. However, the moderate levels of reliability mean that the results can be indicative. So it would appear that car salesmen are likely to have a higher nAchievement (as high as managers and higher than nurses) with a low nAffiliation, a high nAutonomy and a moderate level of nDominance.

STUDY 2a

Personality and Performance

Given that car salesmen appear to have specific personality which is different from that of nurses and finance company managers, one needs to establish which, if any, of these characteristics influence performance. In order to obtain some indication a limited sample study was undertaken.

Method and Sample

Subjects were 13 car salesmen employed by a large Ford dealership. The mean age was 40.4 and they had been employed in this particular job for 57.5 months. They were given a battery of personality tests which were the Manifest Needs Questionnaire (Steers and Braunstein, 1976), the Janis- Field Feelings of Inadequacy Scale (Eagley, 1967) and the Mach IV Scale (Christie and Geis, 1970).

Results

Table 8:4 sets out the correlation between Performance (in terms of units sold during the previous 12 months) and personality traits.

TABLE 8:4

<u>CORRELATION OF PERSONALITY TRAITS WITH PERFORMANCE PEARSON CORRELATION</u>			
Age	40.4 (S.D.9.9)	- 0.31	N/S
Mach IV	77.1 (S.D.11.5)	- 0.42	N/S
Janis	146.5 (S.D.21.3)	0.45	p < 0.1 N/S.

None of the needs measured by the MNQ were significantly correlated with the measure of performance.

Discussion

The results of this study are not conclusive. The sample size is small and may or may not be representative. The levels of significance of the correlations ~~are not acceptable~~ and the correlations themselves are, at best, moderate, converting into a forecasting efficiency between 7% to 10% (Annett, 1974:64).

However, the results are an indication that both social self-esteem and social manipulativeness are related to performance, social manipulativeness negatively suggesting that the more honest salesmen ~~are~~ the most effective.

SUMMARY

Both Studies One and Three can be regarded as inconclusive as, for a variety of reasons, the results are not statistically significant. However, as case studies in an area which there is little knowledge and little research they are "straws in the wind" and a guide to further research in important areas.

Study Two however, clearly suggests that car salesmen are different in their personality profile from other occupations - in particular nurses and finance company managers. The differences are those you would expect, given a knowledge of the job of a car salesman and can serve to guide the selection of salesmen.

CHAPTER 9

THE EXPERIMENT

Introduction

It has been established from the review of the literature that there is more than enough evidence to suggest that money can modify the behaviour of, if not everybody, some people. It also seems probable that whether or not money influences behaviour depends on the nature of the task (Kruglanski et al 1975) and the individual personality; those with certain personality traits (Needs for Achievement, Machievellianism, High Self-Esteem and Internal Locus of Control) being particularly strongly influenced by pay provided that the expectation that pay will follow performance is strong. In order to establish whether pay can influence behaviour of salesmen a field quasi-experiment (Campbell and Stanley, 1963) was carried out, manipulating the pay of car salesmen. It was designed to establish:-

- a. Whether, by allowing a salesman the opportunity to increase his pay provided his performance improves, his performance will improve.
- b. Whether the personality variables mediate the influence of pay on performance.

Method

Subjects

Subjects were 28 car salesmen employed by two motor companies. They were located in seven dealerships in different towns in the Midlands. The largest dealership employed eight salesmen and the smallest three. All would be regarded, by motor trade standards, as large dealerships. They all sold a range of Austin-Rover products and had the opportunity to sell used cars. It proved impossible to obtain complete data for the entire sample. Three salesmen in one dealership refused to complete the demographic data forms and personality traits. Other salesmen had not been employed long enough for comparative data to be available, some salesmen left the company and in some cases, particularly in the Training dealership, the organisations records were incomplete. It has been found necessary, therefore to use measures from different sub-groups of the total sample. These have been indentified where appropriate.

The average age ($n=22$) was 37.4 years (SD 9.8), and the average tenure was 81 months (SD 89.7). They were moderately well educated, 13% having 'A' level GCE, 46% having 'O' level GCE and 15% had completed a technical apprenticeship in the motor trade. 82% of the subjects were married and 91% were house owners.

Research Instruments

(See Chapter 6). The battery of personality tests consisted of a demographic information form (which also contained five questions on the subjects attitude to pay), the Rosenberg Self-Esteem Scale (Robinson and Shaver, 1973:81), a Locus of Control Scale (Rotter, 1966), a Feelings of Inadequacy Scale (Eagley, 1967), a measure of Need for Achievement, Need for Dominance, Need for Autonomy and Need for Affiliation (Steers and Braunstein, 1976) and a measure of Social Manipulativeness (Christie and Geis, 1970).

The tests took about half an hour to complete (See Appendix E).

Performance Measures

Those selected were the number of units sold (the definitive and generally accepted measure of a car salesmans performance) and the profit per unit sold, a measure not normally available in dealerships but which is a measure of dealership income. Details of salesmens income were obtained from company records.

Because of the small size of the sample and the nature of the experiment non-parametric statistics have been used where necessary. The personality data has been correlated using the Pearson Product Moment Correlation on the SPSS programme.

Procedure

Subjects were allocated, non randomly, in a quasi-experimental design (Cook and Campbell, 1976). The conditions were an Experimental Pay Condition, a training condition, a company control condition and a market control condition giving the following design, (See Chapter 6):

Observation	Experiment	Observation
Observation	Training	Observation
Observation		Observation (Company)
Observation		Observation (Market)

The principle contaminating variables were the internal environment and the external environment. By having a control group of salesmen (n = 15) all of whom were employed by the same company as the experimental group, worked under the same management, were paid from the same central group accounts and were paid according to the group system, most internal factors were controlled. However, salesmen in the company control were located in several different geographical locations, some 15 to 20 miles from the experimental dealership. It was, therefore, decided to include salesmen employed by a local dealership competing with the same products in the same market as a local external environment control (n = 11).

Both controls were Austin-Rover dealers of about the same size, but the market control salesmen were paid under a different incentive payment system.

The market control salesmen received no basic pay but only commission of 11% of the Retained Gross Profit on new cars and 13% of the Retained Gross Profit on Used Cars. Retained Gross Profit was calculated in a similar manner to the experimental dealership except that a house-charge of £75.00 was levied before commission was calculated.

All other salesmen were on the same company sales payment scheme, receiving a basic pay of between £3,000 to £3,500 and 10% of the Retained Gross Profit.

Experimental Group (Pay)

In the experimental pay group, the method of paying salesmen was changed from the 1st January, 1983, for a period of six months. Senior management, undertook not to interfere with or to alter the system once it had been implemented and not make any staff changes during the experimental period.

The suggested method of payment was discussed beforehand in great detail with the General Manager and Sales Manager of the dealership.

In the interest of making the scheme acceptable to the salesmen and to avoid confusing the experiment by too many variables it was decided to keep the existing basic pay structure. However, instead of being paid 10% of Retained Gross Profit salesmen would, during the experimental period, be paid the percentage of Retained Gross Profit shown on the sliding scale matrix which

rewarded both units sold and profit per unit (Chapter 5).

The critical point of the matrix was established (or the matrix calibrated) by agreeing with the General Manager and Sales Manager an acceptable performance standard of 11 - 12 cars per month per salesman and a profit of £151 - £200 per unit. This figure was agreed by them after referring to their company budgets for the next 12 months and by utilizing their professional judgement that this was an acceptable average sales performance for salesmen in their particular dealership. The matrix was calibrated to pay 10% for this acceptable standard, reduced amounts for below standard and substantially higher amounts for above standard performance. Test calculations on the subsequent matrix, using the previous years performance, showed that given the same level of performance in 1983, salesmen would earn more under the revised system. Other decisions made regarding the method of implementing the new pay systems were:

1. Salesman's pay would be calculated on sequentially numbered order forms but would be paid on delivery of the vehicle.
2. If a deal fell through, all subsequent deals would be re-calculated.
3. There would be no minimum commission.
4. There would be no special deals during the experimental period.

5. MCP* cars would be included in normal commission calculations.

At a meeting in December with the General Manager and the Sales Manager present, the salesmen were informed by the experimenter;

As from the 1st January the method of calculating your commission will be changed. The purpose is to present you with the opportunity of earning more money by selling more vehicles at an additional profit. This dealership has been chosen as a pilot operation so that this scheme will be in operation here for six months only from the 1st January, 1983, to the 31st June, 1983, when it will be withdrawn. During this period, instead of being paid 10% of the Retained Gross Profit, you will be paid on a sliding scale. The percentage commission will increase depending on the number of units you sell in a month and on the Retained Gross Profit you make on each unit.

(At this point the salesmen were given the sales commission matrix).

As the percentage depends on the sequence of sales, it is important that when you have concluded a deal it is signed up on the numbered order form and handed to your Sales Manager immediately. You will be paid, as you are now, on the 1st month end after the delivery of the car, but commission will be calculated on the order form. If a car is not delivered or the order subsequently cancelled the commission on all subsequent deals will be recalculated. There will be no minimum commission and no special commission on deals. Instead where the sales manager decides he wishes to a deal for little or no profit he will write a notional profit into the deal for the purpose of calculating commission.

The sales manager subsequently confirmed that there were no problems in the administration of the scheme (see Appendix B), and subsequent conversations with the experimental salesmen confirmed that their expectations

* MCP cars are 'Management Car Plan' vehicles. Being close to several British Leyland factories this dealer sells cars to the employees of BL under a special management plan.

regarding the probability of earning more money were high (see Appendix C).

Experimental Group (Training)

As the company had decided on a sales retraining programme in many of its dealership it was decided to evaluate the effect of this training on sales performance of the salesmen in one dealership ($n = 3$). By incorporating this evaluation into the research design the results could act as a control for the pay experiment and assist in its evaluation. The system of training selected was the 'Pendle' system (see Appendix A), which trained salesmen in the techniques of selling and suggested a method of structured selling in the dealership.

Implementation, which was the responsibility of the Group Training Manager, consisted of deciding on a start date and then sending the salesmen on the three day training session. Local management were responsible for any further implementation necessary. In this group the start date agreed was the 1st March, 1983. A 'Controller' was appointed and the salesmen sent on the training session during February.

Personality and demographic data was obtained from almost all of the company salesmen but was not available from the market control salesmen. All salesmen were interviewed, those in the experimental condition at the beginning of the experiment, and at the end. A transcript of conversation with subjects in the experimental pay

group is presented in Appendix C.

Performance measures for the period 1st January, 1982 to 30th June, 1982 were obtained from each dealership. Similar information was collected for the period 1st January, 1983 to 31st December, 1983 was obtained from the pay experimental dealership.

Results

According to managements own measures of organisational performance (Table 9:1) the experimental pay group exceeded managerial expectations (the Budget) during the experiment by 28.2% in the sale of new cars and 9.2% in used cars. Neither of the other dealerships performed as well. (Variance, in this sense, is an accountancy term meaning variation from budget forecast). They were a little concerned that the 28.2% increase in sales had only increased profit by 8.3% but attributed this to discounting trends in the market and increased costs. Does a more detailed analysis enable us to ascertain if salesmen will improve performance for pay?

Units Sold

Full details of the performance of all groups including units sold, income and profit per unit during the experimental period and before are shown in Appendix D. Table 9:2 shows the mean monthly units sold for each salesman in the various conditions, and any increase or decrease.

Table 9:1

MANAGEMENT REPORT OF SALES RESULTS OF THE EXPERIMENTAL DEALERSHIP
COMPARED WITH STRUCTURED SALES GROUP AND

COMPANY CONTROL

(1.1.83 to 30.6.83)

SALES (UNITS)	CONTROL			STRUCTURED SALES			EXPERIMENTAL PAY		
	<u>Actual</u>	<u>Budget</u>	<u>Variance*</u> %	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> %	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> %
NEW	389	356	+9.2	474	439	+7.9	718	560	+28.2
USED	188	221	(14.9)	236	222	(6.3)	320	293	+ 9.2
PROFIT (£'s)									
NEW	65062	69130	(5.8)	127906	150000	(14.7)	130885	120829	+ 8.3
USED	47080	52600	(10.5)	73470	58855	+24.8	87438	65410	+33.7

* Variance is an accounting term meaning deviation from budget.

Brackets indicate a negative variance.

Table 9:2

COMPARISON OF THE DIFFERENCE IN AVERAGE UNITS SOLD PER MONTH PER SALESMAN AND BETWEEN GROUPS
DURING THE PERIODS OF 1st JANUARY 1982 to 30th JUNE 1982 and 1st JANUARY 1983 to 31st JUNE 1983

Salesmen	<u>Experimental</u> <u>Group</u>		Salesmen	<u>Company Control</u> <u>Group</u>		Salesmen	<u>Training</u> <u>Group</u>		Salesmen	<u>Market Control</u> <u>Group</u>	
	1982	1983		1982	1983		1982	1983		1982	1983
2	17.8	34.28	7	10.8	14.0	15	16.5	17.0	18	14.8	19.2
4	29.2	31.7	8	23.2	18.5	16	12.6	12.3	19	12.3	15.2
5	22.7	25.0	9	9.7	11.3	17	19.5	17.3	20	11.2	17.2
6	11.0	14.0	10	11.7	12.2				21	10.5	19.8
			11	10.5	12.3				22	12.2	19.1
			12	5.2	10.2				23	15.0	14.8
			13	7.7	7.2				24	12.7	13.0
			14	11.0	14.8				25	6.7	9.2
									26	13.5	13.6
									27	9.5	12.5
									28	15.8	19.6
Mean	20.2	26.2		11.2	12.6		16.2	15.5		12.2	15.75
Difference	+6			+1.4			-0.7			+3.5**	

Wilcoxon Test:

** Significant $p < 0.01$ (two tailed) observed value $T = 2$. Critical Value 5

It can be seen that the experimental pay group increased its performance by 6.0 units, the difference being *not* significant while the company control and the training groups showed non significant changes. The market control increased performance by 3.5 units (significant at $p < 0.01$) suggesting an underlying market influence. Assuming this to be so the experimental group still show an improvement of 2.5 units above the market control group, although much of this result is the effect of a major increase in units sold by salesman No. 2. Without his results the total increase of the experimental group would average 2.6 units per salesman.

However, it is worth noting that the average of units sold by the experimental group, in the six months prior to experimental manipulation, of 20.2 units per month per salesman is much higher than any other group; the market control being 12.2 units per salesman per month. Consequently the effort to increase on an already very high performance must have been greater than that made by more average groups.

It could be argued that the results are dependent on the efforts of one salesman. However, there is no reason to suppose that his performance was not influenced by the payment system. On the contrary as details of his previous performance are accurate and his explanation of his performance (see Appendix C, Salesmen 2) is that the commission structure, '... did give us a little bit extra go to sell more units - to rush a few more units in.'

it seems he was influenced by the system. It is also apparent that salesman 2, who had just moved his home, had a particular need for additional income at this time. It would be illogical to exclude as deviant the results of this salesman because he is more influenced by the pay system than the others.

It could also be argued that the results of the three other salesmen were unduly reduced by the response of management to the substantial commission figures being paid. As Table 9:3 shows commission payments increased gradually until March and then reduce.

TABLE 9:3

COMMISSION PAYMENTS TO EXPERIMENTAL SALESMEN £'s

	<u>1982</u>	<u>1983</u>	<u>Increase</u>
January	499	638	+ 139
February	531	612	+ 81
March	616	1921	+1305
April	834	1121	+ 287
May	474	985	+ 511
June	519	517	+ 2

(Figures are mean pounds per salesman per month)

After the substantial increase in earnings during March (as a consequence of an increase in sales) the Sales Manager wished to withdraw the scheme as he says (Appendix B) '... I can't believe that a bloke worked any harder if he had only earned two hundred pounds, ..., rather than four hundred. He regarded the earnings as '... quite horrenduous, ... quite disproportionate.'

After some discussion with the experimenter senior management decided to keep the scheme in for the remaining two months of the experimental period. The salesmen were well aware of these discussions and their performance and income subsequently decreased.

To summarize, although there was a significant increase in the units sold per salesmen in the experimental group it is not possible to ascribe all of the increase to the effect of pay. As the market control also increased performance by 3.5 units per salesmen per month some of the increase must be ascribed to market factors. However, it does appear that some increase was the consequence of the system even if mainly affected salesman no. 2. It seems probable that any lack of increase by other salesmen could be a ceiling effect (they already sold more than other groups) or caused by the actions of the Sales Manager in wishing to withdraw the scheme during the experimental period.

Profit Per Unit

It is interesting that although the number of units sold increased the profit per unit decreased in the experimental pay unit while it increased in the company control. Unfortunately, comparative figures for the market control are not available, however the overall profit per unit in the market control dealership did increase according to reports by senior management. The differences between the Control and Experimental Groups are *not quite* :

significant (Mann Whitney U-test, $p < 0.10$). Detailed analysis is available in Appendix D, but Table 9:4 shows a decrease of £74.00 per unit in the experimental group and an increase of £16.00 in the control.

Such an effect supports conclusions reached in the research of Dalrymple et al (1981) and Stephenson et al (1979) who discovered that salesmen in a gross margin commission plan, particularly salesmen who price bargain will not optimise company profits. It would appear that salesmen regard the route to increased income as increased unit sales rather than an increase in gross margin. As Table 9:5 demonstrates the correlation between income and units sold was 0.95 ($p < 0.001$) in 1983 and 0.82 ($p < 0.001$) in 1982 while the relationship between income and profit is uncertain being -0.46 ($p < 0.05$) in 1983, (probably as a result of the reduced margins to make a sale) and 0.62 ($p < 0.01$) in 1982.

Table 9:4

MEAN PROFIT PER UNIT SOLD (£'s) IN EXPERIMENTAL AND CONTROL GROUP

<u>Salesman</u>	<u>EXPERIMENTAL</u>			<u>Salesman</u>	<u>CONTROL</u>		
	<u>1982</u>	<u>1983</u>	<u>Difference</u>		<u>1982</u>	<u>1983</u>	<u>Difference</u>
4	229	172	-57	7	352	322	-30
5	263	248	-15	15	289	227	-62
6	345	194	-151	8	261	276	+52
				9	230	350	+120
				10	338	364	+26
				11	312	366	+54
				12	267	265	- 2
				13	258	294	+36
				14	315	301	-14
	<u>279</u>	<u>205</u>	<u>-74</u>		<u>291</u>	<u>307</u>	<u>+16</u>
	<u> </u>	<u> </u>	<u> </u>		<u> </u>	<u> </u>	<u> </u>

Difference between groups

Mann-Whitney U-test $p < 0.10$ (*n/s*)

TABLE 9:5

CORRELATION OF PERFORMANCE MEASURES (n = 14)

		<u>PROFIT/UNIT</u>	<u>INCOME</u>
1983	Units sold	- 60	0.95
		(p < 0.1)	(p < 0.001)
	Profit per Unit	N/S,	-0.46
			(p < 0.05)
1982	Units sold	N/S	0.82
			(p < 0.001)
	Profit per Unit		0.62
			(p < 0.01)

This decision by salesmen to pursue the number of units sold to enhance income is quite a rational one, which also points to a weakness in calibrating the matrix which was designed to increase the salesmans awareness of the link between profit and income. Obviously the link during 1983 was not a strong one.

Income

However, in spite of a reduction in profit per unit the income of the experimental unit was substantially greater than in the same period in 1982 and showed a greater increase than both control groups. Detailed analysis is available in the Appendix D, but Table 9:6 shows that while the mean earnings in the experimental group increased by £387 per month (significant p < 0.05) earnings in the company control increased by only £36.00 (not significant) and the earnings of the market control group increased by £92.00 (significant p < 0.01).

Table 9:6

MEAN INCOME PER MONTH FOR EXPERIMENTAL AND COMPANY CONTROL GROUPS (1st January to 30th June)

<u>EXPERIMENTAL</u>		<u>COMPANY CONTROL</u>		<u>MARKET CONTROL</u>	
1982	1983	1982	1983	1982	1983
727	1207	284	467	503	510
714	1317	376	420	438	459
299	373	709	591	268	454
		410	428	272	520
		480	484	329	526
		409	434	289	448
		159	322	313	391
		289	255	184	281
		480	511	352	321
				226	309
				434	487

Mean	580	967(+387*)	399	435(+36)	336	428(+92)**
------	-----	------------	-----	----------	-----	------------

* Wilcoxon Test. Significant $p < 0.05$. Observed value $T=0$ Critical Value 1 (One tailed) (Time series analysis)

** Significant $p < 0.01$. Observed Value $T=3$ Critical Value 5 (two tailed)

As the link between income and profit does not seem to be strong in the salesmans perception it seemed possible that the salesman had an amount per car sold which he uses as a reference point.

Consequently, the salesmans income per vehicle was analysed. As Table 9:7 shows, although the income per vehicle increased in the experimental group (excluding salesman 2) as opposed to a decrease in the other groups a Kruskal-Wallis One Way Anova showed the results to be non significant. Neither does there appear to be a pattern to the figures although it is possible that the high figure of £25.1 per unit in the Experimental Group in March was the figure subsequently adjusted in the minds of the salesman following the Sales Managers protests. Additional evidence that this might be the case is suggested by the figures for the six months immediately after the experiment (when the salesmen reverted to the old group system of pay). The profit per unit increased from the £189.75 per unit during the experimental period to £287.95 per unit, an increase of £98.20. One can only speculate that, as it was no longer possible to enhance income quite so easily with volume, the profit per unit had to increase so the salesman could maintain his income.

As far as the training condition is concerned, as Table 9:2 shows, there was a slight decrease in the mean units sold per salesman in spite of an increase in the market.

Table 9:7

CALCULATION OF THE AMOUNT OF INCOME (£'s) PER VEHICLE FOR EACH GROUP

	JAN	FEB	MARCH	APRIL	MAY	JUNE	MEAN
<u>Experimental</u> 1983	22.4	28.8	51.6	45.8	35.2	29.1	35.5
<u>Group</u> 1982	32.7	23.3	26.5	39.7	26.0	25.3	28.9
Increase/ (Decrease)	(10.3)	5.5	25.1	6.1	9.2	3.8	6.6
<u>Company</u> 1983	35.6	35.0	32.2	37.9	34.8	32.8	34.7
<u>Control</u> 1982	45.2	36.4	39.2	34.3	31.0	28.9	35.8
Increase/ (Decrease)	(9.6)	(1.4)	(7.0)	3.6	3.8	3.9	(0.1)
<u>Market</u> 1983	16.8	26.2	32.5	29.3	29.3	34.1	27.5
<u>Control</u> 1982	17.6	33.8	37.8	22.9	24.9	35.5	28.7
Increase/ (Decrease)	(0.8)	(7.6)	(5.3)	6.4	4.4	(1.4)	(1.2)

Kruskal-Wallis One-Way ANOVA-NOT Significant

This was not significant. The Sales Manager left the company and, as recommended by the system, additional salesmen were employed. Only data on the number of units sold was available; there appears to have been no subsequent increase in sales or profitability.

To summarise, it would appear, as Table 9:8 shows, that in the experimental pay group the number of units sold increased, the profit per unit decreased and the salesmans income was substantially enhanced.

However, it is not possible to ascribe causality for any increase in the units sold to the pay system because a market effect is demonstrated in the market control group and the magnitude of the increase is caused by one particular salesman. However, this particular salesman seems to have been particularly influenced by the pay system, and the performance of the others inhibited by a ceiling effect (they were already selling much more than average) and the reaction of the Sales Manager to the increased income of the salesmen.

Personality

Table 9.9 shows the age and personality characteristics of each salesman in the experimental pay group together with mean scores (and standard deviations) for all salesmen in the company and the mean scores (and standard deviation) for the survey reported in Chapter 7. Some of the scores need to be interpreted with caution for reasons explained in Chapter 7 but they do present some indication of the personality factors influencing performance.

Table 9:8

CHANGES IN UNITS SOLD, PROFIT PER UNIT AND INCOME IN ALL GROUPS

(mean per month)

	Experimental Group			Company Control			Market Control		
	Units	Profit	Income	Units	Profit	Income	Units	Profit	Income
1983	26.2	205	967	12.6	307	435	15.75	N/A	428
1982	20.2	279	580	11.2	291	399	12.2	N/A	336
	+6.0	-74	+387	+1.4	+16	+36	+3.5	N/A	+92

N/A = Not Available

For example, it is interesting to note that Salesman No. 2, who accounts for so much of the variation in units sold that it distorts the experimental results, has very high levels of Social Self-Esteem (over one standard deviation higher than his colleagues in the company and the survey sample). He also has very high levels of general self-esteem (one standard deviation higher than the control) and a strong internal locus of control (one standard deviation lower than the control). He appears to have about average social manipulativenness for a car salesman and two of his experimental companions are higher. Are these the factors which account for his remarkable performance? It was indicated in Chapter 7 (Table 7:3) that Social Self-Esteem and Social Manipulativenness are related to car sales performance. As Table 9:10 indicates, the same seems to be the case with this group. It is unfortunate that performance measures were not available for the entire sample, nevertheless with this sample (n = 14) it appears that successful performance in 1983 is negatively related to age (-0.38), positively related to both social and general self-esteem, and related to internal locus of control.

TABLE 9:9

AGE AND PERSONALITY CHARACTERISTICS OF EXPERIMENTAL SALESMEN AND CONTROL GROUPS

Salesman	Self-Esteem				Need Traits				
	Age	Social	General	Social Manipulative	Locus of Control	Achievement	Affiliation	Autonomy	Dominance
2	36	180	39	82	04	27	22	16	19
4	30	140	39	118	09	31	14	26	28
5	33	147	36	65	06	26	19	21	23
6	37	160	30	108	07	21	16	27	21
Company Control (n = 8)	37.4 (9.9)	149.0 (23.1)	34.6 (3.7)	76.3 (16.1)	8.4 (3.6)	27.3 (4.8)	18.6 (2.8)	21.2 (4.0)	23.7 (4.5)
Survey (n = 91)	27.6 (7.4)	134.9 (20.9)	N/A	79.6 (13.9)	N/A	27.3 (3.4)	17.7 (3.8)	21.6 (4.3)	23.1 (4.6)

EXPERIMENTAL

Brackets = Standard Deviation

N/A = Not Available

TABLE 9:10

CORRELATIONS BETWEEN PERFORMANCE AND PERSONALITY MEASURES
(1983) (n = 14)

Performance	Age	Social S/E	General S/E	Social Manipulative	Locus of Control
UNITS	-0.38**	0.41**	0.62*		- 0.38**
PROFIT		-0.39**		-0.41**	
INCOME	-0.38**		0.63*		- 0.47**

* Not significant ($p < 0.10$)
** Significant at $p < 0.05$

Possibly because of the size of the sample Locus of Control and Social Self-Esteem are not related to successful performance if one takes the 1982 performance measures. However performance in 1982 is negatively related to Need for Affiliation and positively related to Need for Autonomy (see Table 9:11).

TABLE 9:11

Correlations between Performance and Personality Measures

Performance	General Self-Esteem	Need for Affiliation	Need for Autonomy
UNITS	0.64*	- 0.37**	
PROFIT		- 0.50**	0.63*
INCOME	0.48**	- 0.45**	0.56**

* Not significant ($p < 0.10$)
** Significant at $p < 0.05$

It is not possible to conclude from these results that particular personality traits mediate successful sales performance. However, three samples show a correlation between self-esteem and successful sales performance, two samples find that successful sales performance is negatively related to social manipulateness, and one suggests that internal locus of control, a high Need for Autonomy and a low Need for Affiliation mediate effective sales performance. One can also wonder whether it is because he has high self-esteem, strong internal locus of control and only a moderate amount of social manipulateness that salesman no. 2 is the most successful as he does not have a high Need for Autonomy and a low Need for Affiliation.

Two samples also suggest that successful performance is negatively related to age. It seems likely that this effect is mediated by the personality variables as a correlation, again with comparatively small samples, suggests that those characteristics which should effect sales performance, particularly self-esteem reduce with age.

TABLE 9.12

CORRELATION BETWEEN AGE AND PERSONALITY TRAITS
(Two Groups of Car Salesmen)

Age	Need for Achievement	Social	General	Need for Affiliation	Need for Dominance
n = 14		-0.34	- 0.35	+ 0.31	- 0.36
n = 22	- 0.50**			+ 0.38	- 0.52**

other figures not significant ($p < 0.10$)

** Significant $p < 0.05$

However, it should be stressed that although this research suggests that self-esteem is related to performance NO evidence has appeared to suggest and confirm literature findings that Need for Achievement and Need for Dominance influence sales performance.

Conclusions

It is clear that some of the findings of this research must be treated with some caution. The size of the sample makes generalising from the sample suspect and the moderate reliability of some of the personality measures would suggest caution in interpretation.

Nevertheless there are *some* indications that salesmen do improve their performance in response to a financial incentive (bear in mind that the controls were also being paid on a commission scheme), and this research suggests that they will reduce the profitability to the dealer in order to enhance their own income. It is not clear whether they have a specific amount per car that they hope to earn and this could be an area for further investigation.

It is also clear that there is a particular type of 'car-salesman' personality (high self esteem and internal locus of control), and that it is possible that this is related to performance.

CHAPTER 10

DISCUSSION AND CONCLUSIONS

This research has attempted to resolve the apparent anomaly between the belief by proponents of the Human Relations movement that individuals generally are motivated to improve work performance through such measures as autonomous work groups, job enrichment and job enlargement and the more traditional managerial attitude prevalent in the motor trade that people work for money; so by offering them the opportunity to earn more pay you can improve performance. It addressed the basic questions:-

1. Does linking pay to performance and giving individuals the opportunity to optimise pay lead to improved performance?
2. Is this true of the entire population?
3. Are personality traits a factor in whether people are motivated by pay?
4. Does context influence work behaviour in relation to pay?

This was a broad topic so, for a variety of reasons this research has concerned itself with car salesmen. Apart from the fact that performance measures are comparatively easy to identify for salesmen, car salesmen are particularly interesting subjects amongst whom to study motivation, as the garage environment, the management, the motor trade experiential ethos, the culture, the pay system and their unsavoury reputation would suggest that

they should be a bunch of ineffectual 'con-men'. However, those in this study are a group of normal young men struggling for survival in the face of a number of difficulties and, on the whole, enjoying it. The environment of the car salesman has variety, the job has autonomy and the feedback, so the job is, according to Hackman and Oldham (1976) an enriched job. The opportunities for increased motivation should be quite limited (Becherer et al 1982), and money, according to the theories of Deci (1971), should not enhance motivation in these circumstances.

However, a review of the literature on the role of pay in motivation suggests that there is little support for the view, put forward by proponents of the Human Relations movement, that pay is not a primary force in motivation. Others have been severely critical of the Hawthorne studies. For example, Bramel and Friend (1981), criticise the studies finding incorrect interpretation of data which suggests a management, anti-marxist bias. From the perspective of the pay conclusions, one can hardly avoid saying that they were just plain wrong. Subsequent attempts by proponents of the view to establish that money was not a primary motivator have not been successful. Maslow's (1943) theories, although widely popular in management circles, have received no empirical support. Neither have the derivatives (Alderfer 1969). Attempts to suggest that money actually decreased motivation for an interesting job (Deci 1971) have been so heavily qualified by

quent research (Kruglanski et al 1975a, Kruglanski et al 1975b, Farr 1976) as to provide evidence of little except a meaningless phenomena; while Herzberg's et al (1967) theory has proved to be, probably, an artefact of its particular methodology.

However, research designed to test the simple proposition, 'Does money influence productive behaviour?' has received general support. Strong evidence for this view is provided by the field experimental studies (Burnett 1925, Wyatt et al 1934, Pritchard et al 1976, Latham et al 1978, Luthans et al 1981) and while research with a theoretical foundation (Adams 1963, Locke 1968, Pritchard 1973) may not establish that the concepts of the theory influence performance in the predicted way, the results support the view that when money is linked to performance, performance is usually enhanced. It seems to depend, as Bowey et al (1982) suggests on the contingencies.

It is also fairly clear that salesmen have a certain type of personality which would indicate that they would respond well to financial incentives (see Table 4:1). Popular lay opinion (Tosdal 1953, Smythe 1968) certainly believe this and what academic research there is in the area tends to support this view (Darmon 1974, Oliver 1977, Darmon 1982), although they may not optimise profit for their employer (Farley 1964, Dalrymple et al 1981).

This research has established that it is possible to identify in car salesmen those characteristics which, both make them successful salesmen and which would suggest

they respond to financial incentives. It would be difficult to argue, from the evidence presented (Chapter 8) that self-esteem and social manipulativeness are not key factors in the performance of salesmen; and while the evidence about nAchievement, nAutonomy, nDominance and nAffiliation must be treated with some caution because of the moderate reliability of the measure, the evidence should not be ignored because, as Francella and Bannister (1977:82) suggest, 'psychologists worship reliability.'

It is also recognised that the experiment reported (Chapter 9) has its limitations, yet two findings support the view that some people may be highly motivated by money. Firstly, the units sold in the experimental group increased significantly, although these results are dependent on the performance of one salesman. However, the simple fact that one salesman was motivated would suggest that salesmen with his personality profile can be influenced by money. The small size of the sample makes generalising away from this specific environment difficult.

Secondly, the reduction of the profit per unit by the experimental group in an effort to increase unit sales is an interesting phenomena reported elsewhere (Stephenson et al 1979, Dalrymple et al 1981).

It suggests that salesmen make rational, if not conscious, choices in the sales situation and pointed to the need for a payment system which rewards all the criteria for performance, not only unit sales. Such a

system is presented in this research although the results suggest that the link between profit and income was not strong enough in the experimental situation.

Practical Implications

This research has established, or at least provided an indication, that a theory based payment system can influence performance in car salesmen, and that a system is needed which links profit to income more directly. Such a system has been presented here, and will be published by the motor trade publishers R Sewell and Co some time in 1985. Other garages have shown an interest in such a scheme, and it is possible that this will become the basis of many systems in the motor trade.

The personality research has provided evidence that a car salesman personality profile can exist, and a sales aptitude test has been devised by the author which measures self-esteem, Locus of Control, nAchievement and Social Manipulation using 32 questions. The test may be published by the Test Agency some time in 1985 but the author would like to see more tests on salesmen, as recent predictive validity as measured by correlating the scale to past performance, for each scale has been comparatively low.

General

Clearly this research has not definitively answered the questions it set out to do, neither has it definitely

resolved the dispute between the Human Relations movement and others; however, publications on pay systems in the motor trade and the Sales Aptitude Test have, at least, moved psychological theory - probably for the first time, into the motor trade while other papers on the Hawthorne Studies and Intrinsic Motivation may help change the climate a little.

Research in this area has been inhibited by the ethos of the Human Relations movement together with the practical problems (and ethical problems) of manipulating pay in a natural situation. If these problems are to be overcome more research of this nature is needed.

APPENDICES

- A) The Pendle System of Structured Selling
- B) Interviews with the Sales Manager of Britcars
- C) Interviews with the Experimental Salesman
- D) Tables of Results
- E) Psychometric Measures

APPENDIX A

THE PENDLE SYSTEM OF STRUCTURED SELLING

APPENDIX A

THE PENDLE SYSTEM

This system is based on the premise that a salesman can be programmed, 'like a computer' (Maltz, 1960:5) to follow precise behavioural patterns and on the assumption that the behavioural patterns will then result in compliance by the prospective customer with the salesman's purpose, which is to sell a car. The system consists of three components:

1. the sales process
2. the training
3. auxillary systems

The Sales Process

Under the system the process is separated into seven stages. These consist of:

1. greeting the customer
2. qualifying the customer
3. selecting the car for him to buy
4. demonstrating the car
5. negotiating the sale
6. asking the customer to buy
7. finalising the sale

These seven steps have been categorised by the deviser of the system into high skill and low skill elements. He defines selecting the car, negotiating and

finalising the sale as high skill; while greeting the customer, qualifying the customer, demonstration and asking him to buy are low skill elements.

The purpose behind separating the process into two parts, is so that the high skill elements can be handled by one individual, 'the controller' and the low skill elements by another person, 'the salesman'. A controller controls and directs the activities of four or five salesmen, consequently his abilities and time are not wasted on low skill activities. Under the system the sales process is precisely prescribed and the seven stages broken down into 39 sequential elements.

The purpose of the sales system is to prevent the salesman from prejudging sales probability. He should attempt to sell, utilizing the routine, to every prospect and so increase the conversion rate of customers seen and sold to, from the current trade average of 25-30%, to a more profitable 50-80%.

The structured sales process is described, by the systems creator, as being founded on a model of human behaviour which assumes that the customer is apprehensive, wary and guarded and that the salesman, having been conditioned to respond to the stimulus of a customer by being friendly, helpful, knowledgeable and trustworthy, then follows a series of precise behavioural patterns. The subsequent interaction should result in a new pleasant experience for the customer, which under the system is described as trauma, (not to be confused with the

Freudian definition) this being the emotional and logical situation in which the customer is prepared to commit himself to buy a car.

The Training

The training of both salesman and controllers takes three days and is founded on the behavioural model of stimulus and response (Skinner, 1976). More precisely it is based on the assumption that it is possible to programme individuals in the same way as you can programme a computer (Maltz, 1960:5), to follow an exact behavioural pattern which when successful will reinforce itself.

In this case the behavioural pattern is the sales process which consists of 39 sequential behavioural elements. These assumptions are based on ideas contained within a book by, Dr Maxwell Maltz, MD FICS, called, 'Psycho-Cybernetics' (1960).

Maxwell Maltz is a Californian surgeon who is experienced in performing cosmetic surgery on peoples faces. He describes his role as turning ugly people into beautiful people. He also describes himself as unorthodox. He states that self image is the key to human personality. Consequently, if you change self image you can change personality and behaviour.

His ideas are based on observations of his patients. He discovered that comparatively minor cosmetic improvements to face radically altered behaviour. He subsequently appears to have read into the psychology of the

sixties and come to the conclusion,

that there was irrefutable evidence of success type personalities and failure type personalities and that it took twenty-one days to change. (Maltz, 1960:23)

There is little evidence for this assertion quoted in the book, although research into consistancy theory (Lecky, 1945, Korman, 1977) and self-esteem (Tharenou, 1979, Snyder and Williams, 1982) suggests that the self-concept, either chronic or situational, does have a profound influence on behaviour. Such research also suggests that it is difficult to change an individuals self-concept radically, quite so quickly, even by extended psychotherapeutic methods such as psycho-analysis, group therapy, T groups and so on (Rachlin, 1976:152).

The book claims to create, 'a synthesis of proven psychological and physiological processes called Psycho-Cybernetics' (Maltz, 1960:4). The three prime constructs behind the idea of psycho-cybernetics appear to be:

1. consistency theory
2. programming people like computers
(extreme behaviourism)
3. De-hypnotizing yourself away from false beliefs

Consistency theory suggests the needs of individuals to pursue behaviour consistent with their beliefs, but Maltz (1960) reinterprets these principals to suggest that individuals rationally and cognitively evaluate their own strengths, weaknesses and beliefs. Maltz (1960:17) also states, 'psycho-cybernetics does not say that man is a

machine, rather it says that man has a machine (a brain) which he uses.' He goes on to draw parallels with classical conditioning and to suggest that success response behaviour can be programmed into the individual and will be evoked by an appropriate stimulus. The process of conditioning appears to be a complex interaction between imagination and the individual self-concept which Maltz (1960) labels 'de-hypnotization'.

The Ancillary Systems

In addition to the sales process and the training of salesmen, the Pendle System calls for a number of what are specified to be logically consistent ancillary systems. Essentially these consist of:

Payment System. Salesmen are paid a fixed sum per delivered vehicle. The sum increases retrospectively as the profit per month increases. Controllers are paid on an escalating percentage of the target gross profit. The total being divided between all controllers.

Environmental Controls. The layout and specification of the showroom is detailed. No vehicles are to be displayed in the showroom and the resources available to the salesman and controllers, the number of salesmen and where their desks are placed are totally defined.

Job Description and Man Specification. Here the system specifically describes that salesmen should be inexperienced, over 25, and be ambitious. The job description specifies his responsibilities for the

appropriate sections of the sales process.

A Computer Based Customer Follow-Up System Conclusion and Critique

It is difficult to see how such a system can work effectively. Although it is stated that the system is based on psychological principals, this is not strictly accurate. The psychological principals behind the training process are confused, out of date, and lack credibility in modern psychology. Certainly, if the idea of psycho-cybernetics had any credibility in 1960 when it was first propounded, it is unlikely to have any credibility now. The only aspect of this part of the process, which appears to have any validity, is the part based on Consistency theory (Korman, 1977). Even the principals behind this appear to have been misunderstood, distorted and are not implemented in the training process.

There appears to be no evidence to suggest that the sales process, itself, is as described by the system, in spite of the fact that there is considerable academic research into the interaction between salesmen and customers (see Chapter 2). Modern research regards the sale as an interaction between the unique personalities of the individual salesman and the individual customer (Poppleton, 1981) and selling a social skill. It would appear, therefore, that the psychological processes behind both the training procedures and the selling procedures of the Pendle System are suspect.

The Structured system of sales control advocated by the system may have a number of practical benefits.

For example, it could focus the salesman's mind on the necessity not to prejudge the sale. The customer follow-up system could have practical benefits. However, there appears to be no other evidence to suggest that such a specifically structured system could work to enhance sales performance.

The system appears to lack credibility with the salesmen, it is supposed to train and motivate. The story is told (probably apocrophal) of how the founder of the system, visiting a dealership to show them how it was done, sold ten cars on the first day (a remarkable performance). However, the dealership was faced with ten cancellations the following day! Salesmen do not believe it is possible to implement the system and resent the image of the non-thinking salesman. The following transcript gives a salesman's viewpoint and his description of the system, with his scepticism being evident.

A Sales Description of the Pendle System

----- Well, basically, you have an 'up desk' and a salesman sits at that desk watching the site. No telephone, no papers, nothing, he is just looking out of the window waiting for somebody to walk onto the site. There are then a row of desks with salesmen making their telephone calls, follow-ups and what have you. The controller's - this will be

the Control Office - with this two-way glass, you can see out but you can't see in, because you don't want customers walking in here - and as soon as that salesman goes out to greet a customer, the next salesman in line - and they take turns - moves over onto the 'up desk' and the first thing that salesmen must do is to greet the customer, tell him who he is, ask the customer's name and then ask him what he is running and look at his car and do him an appraisal on the car. Well, the customer thinks he is doing an appraisal, but this is just part of the process starting. Get the customer driving - noting everything on an appraisal pad and when you have got to a tricky junction - you have got to have a tricky junction on the demonstration, where, perhaps, he is turning right, he has got to put it into gear, do the clutch, the indicator, look in his mirror and that's when you ask him what he wants for his car.

..... That's in his car mind you - you let him drive.

----- The customer's thinking, just as he is thinking absolutely on his driving, you ask him what he wants for his car and he will usually come out with a figure and, as he said, he will probably come out with a figure which is four, five, six hundred pounds more than he is expecting for the car - and he says two thousand pounds and you say "TWO THOUSAND POUNDS!" but you write two thousand pounds down. The customer sees you write two thousand

pounds down on the appraisal pad and he thinks - he is going to give me two thousand pounds, or there is a change, so he is going to stay with you. This process is to take an hour and a half, no less. The whole system is an hour and a half, so you can't do it under an hour and a half.

The idea then is to bring him back to the site. You have got the car in a special position and you get him into the closing room and you give him a cup of coffee. You do a qualification sheet - you have been doing that on the demonstration, but fill in a qualification sheet. You have got your appraisal sheet and you have got to find out what he wants to spend; preferably what he wants to spend per month, because you want to sell finance and you take those papers into the Controller. If you haven't got it all filled in the Controller should 'throw you out' until you have. Send you back to the customer.

That's one of the disciplines. You see, even losing one or two customers to start with when bringing the system in, rather than the salesman thinking he can get away with coming with half a completed sheet.

The Controller then chooses the car he is going to show the customer. The customer hasn't looked at cars, by the way, at this stage - he must not wonder in the showroom, must not look at cars - he has got his wife and kids and they say when we go on the run - always stay behind - and another

salesman must put them into another office. The salesman then gets out a car that the Controller has obviously chosen - it has got to be, if he has come in for a Metro it is no good showing him a Jaguar, but you have got to meet his needs as much as possible, but it is the Controller who says what car to show him. If he is interested in a Maxi and you haven't got a Maxi well, obviously, you would perhaps show him an Ital Estate.

TWK The Controller makes that decision?

----- The Controller makes that decision and then you go out on a demonstration - the salesman drives - you are finding out all the features on the car that be mentioned on his qualification sheet - what he is looking for; room, comfort, economy, whatever. You come back - you park the car next to the customer's car and if, when you get out, he wanders around and starts looking about it, he is interested in it. He might turn around and say I wouldn't buy one of those. You then go back to the Controller and sort out another car. But, take it he is interested in the car, take him back into the closing room and try and 'chip' him. You have really got to 'chip' him there and then. You then go back to the Controller and you have 'chipped' him say two hundred pounds. You say to the customer then, go back to the closing room and say - "my boss would like to try your car" - and this is when you do the

appraisal on his car. This is when you 'chip' him again. You have really got to 'chip' him three times. If, at the end of it you can't, the salesman can't do a deal with the customer, then he must bring the Controller in. The Controller goes into the closing room - he might say to him "has my salesman upset you, you know, what, why has he upset you" - and he usually says "no, no, no, he has taken us on a run" - all sorts of objections and questions.

TWK Do they suggest a strike rate - what do they think, you know - is this supposed to succeed every time?

----- He is talking about 75/80%.

TWK So, for every four customers that walk in you are going to sell three cars.

..... If you are convinced - I would like to see that.

----- They say it should never, never be below 45%.

TWK Yes, how does it compare with your current strike rate roughly. How many do you sell - one in five?

----- Yes, I was going to say 25/30%.

TWK That's pretty average - that's what most people say.

----- Why a salesman should make a good job with this customer is because if there are another five or six chaps waiting to go up to the 'up desk', he may only speak to one customer per day, or perhaps two customers a day - he is going to make the best possible use of talking to that customer. It doesn't matter what that chap has really come onto

the site for - that's his customer. Unless he has come in to ask to see another salesman, or something about a query, but other than that, that counts as his turn. So he is not going to get another turn to speak to a customer until the rest have had a turn. So, it depends on how many you employ.

APPENDIX B

INTERVIEW WITH THE SALES MANAGER OF BRITCARS IMMEDIATELY
FOLLOWING THE COMPLETION OF THE EXPERIMENTAL PERIOD

APPENDIX B

INTERVIEW WITH THE SALES MANAGER OF BRITCARS IMMEDIATELY
FOLLOWING END OF EXPERIMENTAL PAY PERIOD

TWK Before talking about the new system, can we talk about the current system that I introduced on 1st January.

..... Your system?

TWK Any problems?

..... In the administration of it, none. As you will remember, there were one or two distortions, which we might have foreseen with a little bit more thought and I mean we were fairly keen to sort of not detract from their income levels. It has been more noticeable here with the new car salesmen, most particularly there have been distortions with the new car salesmen.

TWK What distortions?

..... In as much as they have been paid too much - in a word. I think the inclusion of MCP type business was a mistake. I feel that the very high percentages, the thirty per cent to above, were too easily achieved by virtue of the inclusion of MCP.

TWK We discussed this before we implemented it.

..... We did discuss it, yes. OK. We said we would try it for six months - we have tried it for six months - you prevailed on the Director to keep it despite, you know, we have, what, we have had a couple of

quite horrendous months in terms of payouts - quite disproportionate, in my opinion, to the amount of incremental business we have received. You see, I can't believe, O.K. I have got nothing against a Matrix system, in fact, this new Britcars thing is on a matrix, but I feel the very big percentages were too easily achieved. In other words, you know we have had four hundred odd pounds plus paid out on a particular deal and I can't believe that a bloke worked any harder if he had only earned two hundred pounds - all I have got to say is if he had earned two hundred pounds on that deal, he would have tried just as hard to do it as he would to try and earn four hundred pounds plus. I don't think the extra money made him, couldn't make him work, he tries as hard as he possibly could to get two hundred pounds, no questions and the fact that he ended up earning four hundred quid was great. I mean, a couple of the lads really have, well three of them particularly, really have had 'a ball', which is fine, you know, OK you can't begrudge it if you like - but, I think that, as much our fault as yours, I mean it was like, no one knew, we were stepping off the end of a plank into the dark, we didn't know what we were going to be in for. We were involved, you know, we had some quite good placements anyway. So, as I said, we were 'taking a step off the end of the plank' if you like, we

didn't quite know what we were in for. With hindsight, of course, we now know that some of the thresholds were perhaps too low. I feel that some of the upper percentages were, perhaps, too high anyway - as I say, with hindsight, I think being able to generate 40% is perhaps a bit top heavy anyway, as I don't feel, as I have already said, that the extra commission that generated could make the bloke work any harder.

TWK The 40% was for double the amount of profit on double the standard performance.

..... Yes, that's fine. As I say, this is not a criticism, it is a fact. I think we are as much, to well, more to blame, because you did ask us. I think we pitched the averages too low. That's what it's all about. That's one aspect, the other one is, as I say, the inclusion of MCP, which is a gross distortion and it's unfair, because when you include the 'used' men in the same matrix, that facility isn't really available to them, so we have had this imbalance of earnings between the blokes in the showroom here, opposed to the men on the site opposite - which has caused a little bit of unrest, because no matter, OK salaries are supposed to be private, but they never bloody well are and words get about, you know, one or two of the lads have had a real clean up.

TWK Did the salesmen make more money?

..... Oh Christ, yes!

TWK Did they sell more cars?

..... Well, you will tell me that when you have done your analysis, but as far as I can see, and again this is not trying to moan, I think we had good months here when everybody else had good months and we had average months when everybody else had average months. That's how it seems to me. I mean we had a great March, but there again so did everybody else. I mean, I can only look from a Branch point of view, I mean, the Director can look from a regional point of view and you have spoken to him, I know; and he's of the opinion, OK it may have, yes we have probably improved over what we would have improved, but I don't think we have improved in proportion to the extra money we have paid out. Since having handled it and touched it I like this type of payment scheme - I like the structure and, of course the new Britcars one is on a similar sort of basis - OK the top end is not as high as your own one, but I like the idea of it - I think it is a good idea and if a blokes got any 'gum', like anything else, this new one will favour the good man, rather than the average man, which, of course, is what it's all about anyway. "Give to him that has" as it were. You know, I've got no argument with that. I mean if they are going out with two thousand pounds a month commission, providing I can

see there has been that much extra business, that's fine - but as I say, I think due to the threshold being pitched that much too low, which is as I say is as much our fault as yours, probably more so, then the earnings, I think, have been disproportionate - but the Director is of the opinion, as you know, that we have had good months when everybody else has and maybe our good months have been just a little bit better than the other's good months, but not that much better if you see what I am trying to get at.

TWK Well I will be able to tell you that when I . . .

..... Yes, as I say you will be the judge of that at the end of the day when you have done your sums.

TWK As from 1st July you are now going onto the Britcars Group System. This works on a composite retained gross profit over the month.

..... Correct - over the period in times in the month - correct.

TWK So the salesman doesn't actually know the amount of money that he has got in that particular car, because it is calculated in retrospect.

..... Well he doesn't to the penny, but, I mean, I don't know a salesman yet that doesn't really know within a few quid what's going to be left in a car.

TWK Unless he accumulates it.

..... Unless he accumulates it. Yes, I mean if he sells that car, I mean he is going to know whether there

is fifty pound left in it, or three hundred pounds left in it.

TWK For him personally I am talking about, not . . .

..... Well, yes, for him, well yes, left in for the company. The problem is that, you know, there is, with (here we were interrupted by a salesman wanting a chit signed to get a gallon of petrol) there is no one else that can sign the bloody petrol, this is my one moment of power, signing off a gallon of petrol - you know you have really arrived when you are empowered to sign off thirty bobs worth of petrol.

TWK The other thing with the Britcars system, of course, is that there is no basic pay, only a four hundred pound guarantee.

..... Well, yes - the word 'guarantee', yes it is true, I suppose, but I mean it is really a withdrawal account, isn't it, really. I mean, because if they don't, I mean you know as much about it as I do, but as I see it and having read it carefully and listened to the (Personnel Manager) OK in month 'X' if they only generate three hundred pounds worth of commission they paid four, but then that hundred pound is caught back the following month.

TWK That's my understanding.

..... Well that's it. Again, I mean I shall not know, none of us will know, until we have had it going for a few months, but I am told that those depots

that have operated this scheme and apparently some have as a 'pilot' as we have been doing with your's here, those depots that have been operating this scheme which is coming in now, have paid out more than they would have done previously - which I really have no doubt - that's the truth. Again, of course, it favours the good man and not the average man and some ways, if you have got a bloke drawing four hundred quid month after month, well it won't happen month after month, of course, it will highlight, if the Sales Manager doesn't already know it, it will highlight any weaknesses in his sales force. So, as I say, I have got no argument with this type of system, but how the lads will feel, of course, I don't know. I mean this is a little . . .

TWK They don't know yet?

..... They know it is going to be changed - I have discussed it in some detail with a [salesman] sort of being my 'right-hand man' if you want for a better word; the problems that I am going to face here with them, and as far as I am concerned I can see there is no discussion in this, there is one or two of them that enjoy slightly higher basics than the others and, of course, in this present scheme there is no provision for that, at all and it constitutes a change in their Contract of Employment but there is no provision for the likes of a salesman, who gets a little bit more, in as much as

he doubles for me when I am not here and he is sort of nominee showroom if you like and he is responsible after me - and like (salesmen), who is given a little bit extra for his responsibilities at the site opposite. But, that's the deal and I can only see what happens tonight.

TWK I will be interested to know.

..... Oh yes, fine.

TWK What about Sales Manager's salaries while all this is going on?

..... Well, as far as I am concerned there is no change. I mean I certainly have not been told of any change, I mean, I am not saying there isn't any, all I am saying is that I don't know any.

TWK I don't know of any either. This must be a bit irritating, or goring, or anything else.

..... Well, a little bit yes; particularly this last six months when I have seen one or two of them sort of earning substantially higher than me - substantially - I mean, I have never known a showroom yet where there hasn't been one or two 'high flyers' earn more than the Sales Manager, you know, that is a fact of life, which I have long since stopped worrying about; but as I say over the last six months and I am not going to 'go over the same ground' there have been occasions where they have earned significantly more than me - which is in some ways a little bit goring - OK it was a six

month period - experimental period - and that's it. You know so there's no sort of 'sour grapes' as far as that's concerned, but sometimes it does get you a little bit, you know, you think, "bloody hell, is it worth the aggravation" and, of course, the short answer is "no", but if it was going to continue like that - but, as I say the new system starts next month and tonight I try and tell them all about it.

TWK If, all things being equal, do you think the system as you see it has been successful, say we took out the MCP and pitched the matrix at what we know to be a fair level.

..... Yes, I do. I have got no argument with the principle of linking units and profit and varying the rate of commission 'to reward' the better deal and the 'high flyer' and certainly, I know from the 'boys' point of view that is the case. Now, none of them are naive, I mean they know they have had six months holiday and they all know that at the end of this month that whatever we do it's going to be changed - whether we modify the form of yours or whatever, things are not going to be the same. I mean, they quite sensibly looked upon it as 'a little oasis' and said "thank you very much". I say it isn't all of them that benefitted to a large extent. I mean, I think with the 'used' lads it was just about right, we got it right, but

as far as they were concerned, as I said the gross distorter was the MCP really, because you can never regulate them you have got no control them when they come in - the factory manipulate MCP to suit their penetration figures anyway. So, quite out of the blue you can get a mass throughput of MCP which we had on a couple of occasions in the early part of your campaign. Now, currently the level of MCP is very low. The factory seem to have a lot of Category B cars around them suddenly, which they are putting out to MCP participants at a special reduced rate and handling them themselves - so they are not coming through the trade in any numbers, plus the fact they have reduced the amount of models open to MCP people - we only have Itals, Ambassadors and Acclaim automatics now. So, quite obviously those people that are up for change are doing all the 'ducking and diving' techniques so they don't have to change their car, as they might not want what's on offer. So for those two reasons the level of MCP business is very low, but you can't really control, you can't really prospect it - I mean you can't really 'phone a bloke up and say, you know, "it's time you changed your car" - if he changed his car, I mean, he is given a form - we have no control - OK we can decide and try and make them come here as opposed to another dealer, but the actual time which they deal, we have got no

control whatsoever. It is just when the bloke is given a new form and told to do it and as I say at the moment there is a lot of Category B stuff about.

TWK They do have a choice of where they buy a car?

..... Oh, very much so, yes. They do have a choice of where. I mean don't get me wrong we welcome the business from an overall, not so much, yes, from a sales point of view it's good, but from the service point of view it is very good, because they get just as much for a PDI and MCP car as they do an ordinary retail one and, of course, the subsequent servicing as well. So, you know, from the Depot point of view, from the branch point of view, there is business that we want.

APPENDIX C

INTERVIEWS WITH SALESMEN AT END OF EXPERIMENTAL PERIOD

Salesman No 2

Salesman No 4

Salesman No 5

Salesman No 6

INTERVIEW WITH SALESMAN (NO 2) AT END OF EXPERIMENTAL
PERIOD

TWK We spoke about six months ago and we had a conversation then, when we implemented the new payment system.

..... That's correct.

TWK Any problems - what do you think of the system?

..... Well, I thought the system was very good - possibly gave us incentive to try and sell more units, but I suppose it is the sort of thing that we have anyway. Financially, it worked out very well. I think, possibly, it gave us a bit more consciousness of what sort of profit we were needing in deals. We are in a position to work out earnings per unit, per deal - not just a percentage across the board. So, having said that, I think we did benefit overheads - the company benefitted as well.

TWK You made more money over the last six months?

..... I think we have, I think so, yes.

TWK I mean, you personally have made more money than might otherwise have done?

..... Well, it is very difficult for me to say, because I have only been with Britcars eight months, and I wasn't here this time last year, so I don't know what sort of market trend they had in the showroom last year, you see. So, it is a bit difficult for me to say, Unless I compare the company I was

working before Britcars - if I do that I could say that I made much more money this year with Britcars, than I did last year at the same time.

TWK But, have you sold more cars?

..... Compared to last year - I have, indeed, I was surprised the number of cars we sold in the last six months, compared to what we did with the year before, really.

TWK Do you think that this is due to the consciousness of the pay system, or what?

..... Well, as I said before, I think the commission structure did give us a little bit extra go to sell more units - to rush a few more units in. But, again, it is the sort of thing that I think we have in our blood all the time anyway.

TWK Do you think your attitude or behaviour changed during the month because of the system?

..... Changed - I don't think my attitude changed, no. I don't think so, because I think my attitude and possibly my colleagues' attitude as well changes pending on the turning of the market. If we get very busy, we all act in a different way and as we get quieter, we change with the trend. I mean, just to give you an example, if we are very very busy and we have to say 'hello' to each other and that's it from the morning until the end of the day, although we respect each other all the way. As things get a bit quieter not only do we greet each other, but we

have got time to sit down and have a cup of coffee together and chat. So, my feeling is that attitude changes depending on how busy we are.

TWK Under the commission system at the end of the month, you were earning a lot of money for an individual deal, as compared with the beginning of the month.

..... Well, that is correct.

TWK Did it make any difference?

..... I think possibly it did - with some deals which were effected at the end of the month the earning was pretty high really, you know, for a salesman. But then again, at the beginning of the month, the same deal did bring very little money as commission to the salesman.

TWK OK Tell me - when you first talk to a customer, what do you think the chances are of you selling him a car - do you try and estimate what the chances are?

..... I do. Yes. I do, although I don't assess the outcome just by thinking, but by fully qualifying the customer to see what sort of state of mind he is in, so not at the very beginning stage by just looking, so I try and cultivate my customer to selling a car - quite often I realise that it might not take place until a few weeks from that date. With some others you can tell he is already to a different stage and, therefore, that you are nearer

to a sale. But, whenever I greet a customer in my mind, the objective is, I want to sell him a car.

TWK What stage do you know whether you are going to sell him a car? - or not.

..... Well, it varies and I think that the policy I adopt for myself is try and close whenever you can. So really, I don't put a time in . . .

TWK Of the number of people you actually talk to - how many do you actually sell a car to?

..... That is a very interesting question, because some companies do actually monitor this sort of business and I think possibly I close a sale out of six or seven enquiries, I think.

TWK One in six or seven.

..... Yes, something like that. That is very interesting, because as I said some garages do monitor the number of calls taken per salesman and then the number of sales compared to that number.

TWK Over the last six months you have, under the scheme, earned a fair bit of money, have you tried to buy anything in particular or have you bought anything or have you needed money for any particular project or anything in any way?

..... Yes, I am married and have two kids. Last year I decided to change house and it just happened that the final arrangements came in the last few months so I am in the process of changing house now, which is a very expensive business.

TWK This has enabled you to do this?

..... I think this has helped - it certainly has helped.

TWK Can I talk to you next about the job of a salesman?
I am interested in what the job of salesman is.
Can you tell me what you do?

..... The job is obviously to satisfy the customer's
requirement we have got a showroom and we have got
a telephone - potential customers either ring or
come into a showroom and with a particular reason
and that is to buy from us, or at least with
intention to buy from us - or to buy, not
particularly from us - and, as a salesman, my job
is to try and sell to that particular individual.
So there is a lot of psychology to come into it.
To understand this individual who rings, who comes
into our showroom - to get involved, to get as much
information as I can from this individual, so that
I know what his requirements are. Because, once I
know what his requirements are, then I am half way
there, really, to selling the car.

TWK How much time in a day do you spend actually
talking to customers?

..... Again, it depends, sometimes I start talking early
in the morning and talk right through the day, you
know, right to six o'clock, so we could say in one
day I could talk for about eight hours, you know,
non-stop. Another day it could be just two or
three hours, in which case, I try and do other

things. I think the average is I would say, a good four to five hours per day.

TWK What do you do the rest of the time?

..... The rest of the time, there are estimates to be prepared; invoices to be completed, in other words paperwork. A little bit of running around - to go and see how my cars are getting on down where they inspect them. Or a few calls down Services section to see, I mean if a customer has come back to service their car and so on. I like to follow that up to see when they come back whether they come back with straight forward service requirement or whether they have found something wrong with the car and what they found wrong. I think all this sort of information helps.

TWK You like being a salesman, Joe, do you?

..... Oh yes, very much.

TWK When you go out to a party or something else like that, what do you tell people you do?

..... Well, I, whatever I do I am not ashamed you know. When I socialize I talk about my job, I have always done it, you see. So whenever I socialize with friends or with friends of friends I always say, oh Joe, is the motor trade, Joe is a car salesman. I sell new cars, I sell second hand cars and I am proud of it. I think I have got reasons to be proud of it.

TWK Do you enjoy the challenge of selling a car - do

you feel that you have achieved something when you have sold a car?

..... Oh yes. What I enjoy more is when in one day I manage to sell more than one car - something like 3, 4 or 5 cars in one day - that's when I get the kicks. One car doesn't excite me that much, any more. I think the very excitement I get is when I sell a few cars in one day - then I really feel really pleased.

TWK Are you competitive, do you think Joe?

..... In what sense?

TWK Well, in order to sell a car, will you compete with others to sell a car, or . . .

..... Do you mean within the showroom itself?

TWK Yes, whatever, either in the showroom, or . . .

..... You mean with my colleagues. Well, at present I don't much because I am the newest salesman here, at Britcars, and the other three colleagues of mine are very good colleagues who have been here 7 years, 10, 15, so I respect their long service, but I do like my share of the business and I do get it.

TWK And what about competing with other garages?

..... Oh, yes, I do that with great pleasure. I mean, when I talk to a customer, some of the information I like to get is what sort of conversation they had with other garages, whether they are BL dealers or foreign dealers and I try and study whatever offers were put to them and try and organise something

which - try and organise a pack which would possibly look better.

TWK How much of your sales or success is due to luck?

..... Due to luck! Ah, L.U.C.K. yes. I think very little, I mean nowadays, I don't think nowadays you get a customer walking through the door, sitting down and putting a fiver in your pocket and saying please sell me a car. I think very little luck. I think, to be honest, the majority of my success is knowledge of psychology.

TWK OK. Can I talk about customers now. Are there sort of types of customers do you think, or what?

..... Yes, many types of customers. Many different types - you get the guy who comes in and looks like a tramp and, of course, you try and use a tone which suits the particular individual and treat him as a customer. You get the odd customer who comes in in jeans and teeshirt and, you know, the sporty type and I use a different language with him. And you get the conservative potential customer with a suit and tie and handkerchief in the pocket and you use a different language with him. But, you do get different types of people. Of course, people come from different classes. You know, you have got the lower class, middle, the upper middle and the aristocrats and lucky enough in this showroom we get all of them really. So, we have got to adapt ourselves to fit in with all these different types

TWK Do you have any special techniques for closing a sale. I mean, do you try and control what's happening?

..... Well yes. To close a sale, I mean, I suppose the procedure is always the same. Find what he wants - find what he can afford, that includes what he can afford to borrow and find what he requires and to communicate to him so that he understands that's what he needs, although that's not what he wanted, that's what he can afford, and then convince him to buy.

TWK Do you feel that you control what is going on, or that you do more or less what the customer wants?

..... Well, when the conversation starts with the customer - I like the customer to say what he likes and do what he likes, because that makes him 'free and easy' - it breaks the ice you see. But, as we go along I like to control the conversation - I like to possibly lead the conversation, because you have got to do this, otherwise if you don't control the conversation you will never know what he needs and he might like a Metro and he has got a family with seven kids and unless you are given the chance to actually control the conversation, you know, lead the conversation, you never know that.

TWK No, that's true. How devious would you be in order to achieve a sale. People tend to bend the truth a bit, or what. Well, tell something about a car

that's not true, or not tell him something which he ought to know.

..... Well, I think 'white lies' are acceptable in the selling business.

TWK What is a 'white' lie?

..... I would say a 'white' lie is a small lie - if a customer, let's say he likes white and we only got black and we want to sell that car say that white is a colour that perhaps doesn't suit you, while black is the colour for you, you know - and I notice you are wearing a black suit. Now, that is a 'white' lie, that is nothing which would affect the customer. But, I think all the same we should always be overall frank, honest and give true information. I think that is very important. I mean the customer is spending a lot of money and as I said I always try to help him make a decision by choosing the right car, at the right amount of money he can afford and the right time. I mean if a customer came to me in December and wanted to buy a new car - I would try and sell him a car in December, because obviously it is money in the bank for the company and commission for me in my pocket - I won't volunteer information, but if he does ask me whether it would be more beneficial to buy then or buy in January, unless there is a special offer in that month, then I would tell the customer that it is more beneficial to buy in January - you have

got to be frank with the customer. That's it,
'white' lies help selling, but little things which
would not damage the relationship or the customer
because the customer before later finds out and
then you lose not only one customer but you lose
his friends as well and their relations.

TWK OK Fine. Thanks very much Joe.

INTERVIEW WITH SALESMAN NO 4

TWK You have been on the pay system now for about six months - any problems - how did it go?

..... Very good, very good. It gave me a much better standard of living and it encouraged me to come in more at weekends. When I was on the higher band, sort of thing, of up to 20 or 30 units and it would be my weekend off, I would come in and work the Saturday, which I wouldn't normally do, because obviously, there was a great incentive there.

TWK You have made more money?

..... Oh yes.

TWK Have you sold more cars because of it?

..... Truthfully, I wouldn't think so, I wouldn't think so, because if somebody is a salesman, they are going to sell the motor car anyway. I might have done the odd one or two more from where I came in at the weekend, when I wouldn't normally have been working, but, it doesn't make you sell harder.

TWK What does it do?

..... It just makes the reward at the end of it a little bit better.

TWK Do you not put more effort into the sale?

..... I suppose you might do, but you don't do it consciously. I mean if something has got £20 commission on it, I am going to work as hard on that as something that has got £200 commission on

it.

TWK Are you?

..... Oh yes. Because they all add up at the end of the month, don't they.

TWK Yes, yes, I suppose they do. You are quite happy with the system and there are no admin problems or anything else like that. You do know it is going to finish at the end of the month. Were you aware that it was a temporary system and you realised that it was just going to last for six months and did you feel that you had the opportunity during that time to earn as much as you wanted?

..... Well, I was a little bit dubious about it to start with. You always are, I think, when you go onto a new pay structure. You are not sure if it is going to be as good as the old one, but within the first month of being on it, I realised that there was good potential there to earn good money and I think it is a great shame we are not staying on it.

TWK Can I talk about car selling now. When you see a customer, what do you think the chances are of you selling him a car?

..... Well certainly, as much chance as anybody else.

TWK Can you put a figure on it - 50/50 or

..... Oh, I would hope higher than that. I mean if the man genuinely wants to buy a motor car there is no reason why he shouldn't buy one from me.

TWK How do you know that?

..... I would hope that people that walk in that show-room to get 60/70% conversion rate.

TKW Of the people you talk to you convert 60.70. That is higher than most salesmen.

..... Well, a lot of the ones I get come in are repeat customers as well purely because I have been here so long.

TKW Yes, yes, which has got to be a good thing. Does it vary from the time in the month or is it fairly constant.

..... I always find it tends to go quiet in the middle of the month and the, say the end of this month you start to build up for July, although it is a little bit different this month, because, probably a lot that we will do now and of course during July people hold back for August, which makes August a little bit of a false month really, doesn't it, because you are just robbing the other months.

TKW That's right. When you sell a car are you conscious of the amount of money that you are going to earn from it at all - do you know how much you are going to be paid tomorrow?

..... Oh yes.

TKW At the time you are selling it?

..... Well, when you are negotiating the deal, yes; because we are paid on a profit basis. If we were paid on a unit basis then all you would be concerned about really is just 'turning the motor

car over' regardless of how much money there is in it.

TWK Over the last six months or so, you have earned a fair bit of money - did you have any particular need for money over that time - I mean you are married and you have a wife and mortgage.

..... I have always got a need for money.

TWK Was there anything in particular that you were aiming to achieve.

..... Yes, I got a few things for the home, like a new dining room suite and I have just fixed up a holiday for September, which I will be honest, at the beginning of the year I wasn't sure if I was going to be able to afford a holiday this year.

TWK But you decided - when did you decide to go on holiday?

..... It would have been about April.

TWK Before you earned the money - you realised you could earn the money to go on holiday - that's interesting. OK can I talk about - I am interested in the job of a salesman. Can you tell me what the job is, Nick?

..... Satisfying people's needs and requirements. I suppose being as helpful and as pleasant as you can to people, even when you feel that you don't want to at times. But you get a certain amount of freedom and flexibility with the job, although you have to put in a lot of hours and I think you get

a great deal of satisfaction from it, when you sell a motor car regardless of whether it is a Mini or a Jaguar.

TWK How much of the time do you actually spend face to face talking with the customers?

..... Well talking to customers - I would think 60%, 60/70% of the day - that's including on the telephone.

TWK Oh. What do you do with the rest of the day?

..... Paperwork, chase cars around in service or if somebody has got a service complaint looking into it for them and that sort of thing.

TWK When you go out to a party or you meet someone, or something else like that, what do you tell them you do for a living?

..... I tell them I am a Senior Sales Executive at Britcars.

TWK Salesmen have not got the best reputation in the world and I wondered whether, you don't feel defensive about that.

..... Oh no, not at all, not at all.

TWK You are quite proud of being a salesman.

..... Oh yes, I think when you get a customer come in the showroom - I mean salesmen, car salesmen I think have had reputations of being a bit sharp and this sort of thing - I think the sharpest one is the customer when he comes in.

TWK You would be surprised how often I hear that. Do

you compete with other salesmen for business.

..... Yes, yes.

TWK Is it important to you to achieve sales?

..... Oh yes. I mean, I like to sell the most units and earn the most profit.

TWK And you normally do, do you?

..... I think so, yes.

TWK Salesman No 6's coming in now - he is challenging you a bit isn't he?

..... Oh yes. Well he's hung on now, he has been here now 6/7 years I suppose and he's keen, but I think it's good that there is competition.

TWK And you enjoy competition?

..... Yes.

TWK What percentage of your sales do you think could be put down to luck?

..... None.

TWK Is there any luck in it?

..... Well, I suppose it depends how you determine luck. I mean you could have a customer walk in the showroom that's 'hands in the air job giving themselves up', which I suppose you could say that's luck, but at the same time, it depends if you have kept your eyes open and you are watching people on the front and you are the first one there to serve him when he comes in.

TWK OK. Can we talk about customers now. Are there various types of customers, or what?

..... Oh yes. You get some that are extremely impatient and they will come in the showroom and if you are tied up with somebody and you say to them, "I will be with you in a minute" sort of thing "as soon as I can" and within two or three minutes they are hopping up and down and giving a little sigh and this sort of thing. Where you get others, I mean they will turn around to you and say, "I can see you are busy, take your time, I have got plenty of time, I will wait for you."

TWK Do you alter your approach to a customer, or what?

..... No, I don't think so. The only time I might do is if I tend to get more of a 'down to earth' person come in the showroom I try to get onto christian name terms with them because I think it makes them feel a lot more relaxed as well. Whereas, the other extreme would be if I get the Managing Director of a local company around here or something like that, I mean, he is 'Mr' all the time until he tells me to call him differently.

TWK You treat most people the same, do you? You don't try and . . .

..... I think I give them all the same attention and do the same for them.

TWK You don't alter your personality or attitude?

..... No, no.

TWK Do you have any special techniques for trying to sell cars - I mean do you try and control the sale?

..... No, I just try and talk to them as if I was talking to them in the pub and get on a friendly basis with them, so that they feel that they can trust me and I will do the best deal that I can for them and I have got their interests at heart.

TWK You try and establish that sort of confidence. How devious would you be to sell a car?

..... It depends if it is one the Company really wants to get rid of. But, I wouldn't tell an outright lie to the customer. I might, if he asked me a question that I didn't want to answer, I might well answer him with another question and try and avoid saying anything. But if he asked me point blank something then I would tell him the truth.

TWK Do you think it is worthwhile being dishonest to sell a car?

..... Oh no - I think it bounces back on you at a later date, plus if he finds that you have lied to him I don't think there is any chance you would get him back again as a customer, plus he would spread it around to all his friends and all the rest of it. It is not worth it.

TWK OK. Fine - Thanks very much.

INTERVIEW WITH SALESMAN (NO 5)

TWK The last time we talked you had just gone onto my pay scheme. Any problems with the system - what do you think of it?

..... No, not at all. I did ... very much in principle - in practice I suppose we earned a lot more than any one envisaged. I think at the start of it, the term, I know I came out with close on three thousand pounds a couple of months, which I suppose from, you know, a Manager's point of view, I had quite a few cars at the end of those months where I was looking to earn five or six hundred pounds per deal.

TWK Did you do that deliberately?

..... It is hard to say. I mean, obviously I was conscious if I had someone on the go the last couple of days of a month, especially if it was a big car, yes, I would try and 'button them up' then, rather than let it slide for a couple of days, as anyone would.

TWK Do you think you sold more cars?

..... I think so, yes, I didn't take any of my, well, I don't take my time off anyway, but I didn't take any time off apart from my Sundays and tended to stay a bit later and perhaps half an hour for lunch - things like that. But the only thing I think, I mean, I couldn't on those cars have worked harder

for four, or five, or six hundred that I would have done for one, or two hundred; and you ask when you get to the point where, you know, two hundred motivates as much as you possibly can be motivated, the bigger reward perhaps doesn't add any extra.

TWK You were aware the system was a short term system; so you realised it was just for six months.

..... Yes, that's right.

TWK Yes, and of course you don't know anything about the new system that you are going onto yet, do you?

..... The only thing I know about it is it's geared differently, obviously so I won't have to earn as much and I don't really expect to. I have heard that there is no basic, which is slightly worrying on the face of it.

TWK In the current system did you feel that you had your opportunity to earn as much as you could?

..... Yes, yes certainly. I think in the old way there wasn't very much difference in earnings between salesmen like and myself and the less capable, if you like, members of staff; whereas there is a huge earning differential between, if you like, the longer standing members and the ones who work a bit harder.

TWK OK Now can I ask you a few more questions. When you see a customer for the first time, can you estimate the probability of selling him a car?

..... Not really, no. I think we all think we can, but I

have been selling here for eight years now and I can't.

TWK But you say you think you can - if you had to - a guy's going to walk in what are the chances of you selling him a car?

..... Are you talking statistically?

TWK No, your perception, your idea.

..... Well, I need to qualify the fellow and that's the first thing I do. You know what price range you are looking for? If it is an expensive car I then look at what he has got to make sure he is really in that range. I ask when he is due to change - you know if he says four, five or six months I don't waste a lot of time on him - I will perhaps cultivate him, but generally that's a person's escape route. A lot of people come into a showroom to look around and to avoid any pressure they will say, I am looking around for four or five months time. So I always ask a lot of qualified questions, you know, "Are you changing now? At the right sort of price?" things like that, to try and at least make sure that he is an able purchaser and then take it from there.

TWK Do you assess the probability of you selling him a car at that stage and decide whether he is on or off, or what?

..... I try to treat everybody as if, I always remember a lesson from an, you know, early mystery shoppers -

try and treat everybody as if he is a mystery shopper, even if he looks like a 'messenger'. Then at least try and get him to buy a car, because that's the only way you will find out. So many times we do deals with people we never thought we would and the 'certs' don't materialize.

TWK Of the people you see, how many do you convert to a sale?

..... Are you thinking of a ratio of enquiries for sales? I think, if you count everybody that I talk to perhaps it's 1 in 5, 1 in 6. The actual conversion ratio I would like to think is slightly higher, because a lot of people aren't able purchasers, so I think I get most people. I mean people that are actually genuine buyers I think I would get 1 in 3 and I would like to think I do more, but new cars are bought very much on price - I mean there are so many times I have done two or three demonstrations to a fellow, run cars round to his house at night and I have lost it for £25 to somewhere else - and vice versa, I have people here walking in saying 'Can you beat this price?' and I know there's a salesman somewhere who has done a lot of work on them and I just get in at the end and do the business.

TWK Do you have an idea in your mind as to how much money you are going to make on that?

..... Yes I do. Mainly because we are always told to have

in mind the sort of profit we are making out of the deal. So I generally know what percentage of the profit I am going to get, but it is profit that is upper most in my mind.

TWK And you always receive that amount of money?

..... I always check - you know, I never just leave it to chance or trust or whatever, I always have an idea, I always keep a record of cars going out with any extras that I have supplied and my estimation of the profit and I make sure that they tie-up.

TWK And, as far as pay is concerned, you have earned substantial sums of money over the last six months, have you any need for that money - I mean what do you want the money for?

..... Well, I have got a very big mortgage - higher than average mortgage, so I like that standard of living and I think that whenever you earn a certain amount of money you tend to live up to it.

TWK Yes. I can't remember - you are married?

..... I am not - no - single.

TWK You are single, but you own your own home.

..... That's right - yes.

TWK Do you have any expensive hobbies or . . .

..... I don't think a car salesman has got time for hobbies really. When I get the odd Sunday off and very occasionally a Saturday, there isn't really time. I am very competitive anyway. I used to play squash and tennis and football when I had an

office job, but I found I was able to devote so little time to those sports that I was getting beaten by people who, you know, I would have walked over at one time and I can't really take that. I am very competitive in any sport I do.

TWK Yes, yes - fine. What I would like to do now is to talk about the actual job that a car salesman does. Can you give me an idea - what do you do?

..... Well, there are lots of ways of looking at the job. I mean, you can summarise it in four words, I suppose, from the company's point of view, it's 'cars out, money in' and that principally is what I think I am here to do - to sell cars profitably.

TWK How much of your time do you spend in face to face interaction with the customer?

..... I suppose it works out quite small, perhaps an hour and a half a day out of a nine hour day.

TWK What do you do the rest of the time?

..... Well, there are all the things that, for instance, when I take an order, there are always things like checking the stock; I have to cost out the deal I do; work out the cost of the car extras - profit retained; there is the workshop instructions to write out; the file generally to look after - things like appraising the part-exchange, making sure all the details are correct, making sure the fellow brings in his cover note, making sure any finance documents get done, chasing the car in the

workshop, making sure it is ready on time, cleaned. I tend to 'run them around the block myself' to check them - there are so many things that I have to do that I couldn't really leave to anyone else. If I have got a car going out I have to check it myself, although we have got a Progress Chaser.

TWK Do you like being a salesman?

..... Yes, I enjoy it very much - after my last sort of office job, I spent the first five years of my life in a solicitor's office and I couldn't go back to that again - I was bored silly.

TWK What do you think the public think of salesmen, particularly car salesmen?

..... I suppose they - anyone tends to remember the bad experiences they have had - I suppose they think we are a 'bit sharp' - interested in our own interests rather than their's. Whereas, perhaps, most salesmen perhaps sell to shops or industry and the general public don't come across them so much. I like to think that we have got a slightly different image than most.

TWK When you say "we"!

..... I mean Britcars - I think, I like to think it's got a reasonably good reputation; certainly, if I'm out in a pub at night I almost always meet customers around and I can always hold my head up and talk to them.

TWK If you meet someone new at a party or something

like that - what do you tell them you do?

..... Sell cars.

TWK Do you feel defensive about that at all?

..... No, not the slightest - it is probably different with myself, because I earn a good standard of living, so, you know, friends and neighbours always see me in a new car - I have got a bigger house than they have - far younger, so at least they see it as a, I would think, a very good occupation, in my case. You know, I mean sometimes people say the usual things I suppose they say about salesmen, you know 'a bit sharp' and 'all patter' but most people aren't like us. They are not used to talking to people afresh, and they tend to say the first things that come into their head, or that they are expected to say; so I think that the first few words of a conversation with a person socially are virtually meaningless, you know, they are just feeling the ground. I think as soon as they talk to you for a few minutes they see that you are an individual and judge you accordingly.

TWK You like the challenge of selling, you like . . .

..... Yes I do, because every day at least I am likely to be doing something different - speaking to different people - perhaps going out somewhere at the drop of a hat, so there is not so much routine.

TWK How do you think it's going to go in the future?

..... It is always hard to make predictions - I think

that sales is certainly the most secure of jobs, I can't see any micro-chip technology taking the place of salesmen, which I think it will do with accountants and secretaries, as well as shop floor workers. I think a lot of clerical staff will be out of jobs in the next twenty/thirty years. The only change that I think perhaps could be - there are a lot of auctions now open to the public where I would think perhaps your retail man could go and see cars and buy one where perhaps on the same site there is someone who would appraise the car mechanically. There might be a finance counter there and he might be able to do all the things he does in a showroom without showroom overheads - perhaps that might be a . . .

TWK What about your personal future - how do you see that going?

..... I think I will stay in car sales - I like it very much.

TWK Do you want to be a Manager, or?

..... Yes, I would like to have a go.

TWK Would you like to be a General Manager - would you like the Chief Executive's job?

..... It always sounds pretentious if you say you would like the Chief Executive's job, but, yes, one day I would like to have a go at something like that. Yes, certainly I am looking at Managers. I think we have got a far higher standard of Managers than

most. I know a lot of Managers around town and I don't see anything there that frightens me.

Obviously, if they can do the job - I can do it at least as well, although, if you get someone like a Sales Manager at a showroom like this where we put out two thousand cars a year, that's a very big job. It's obviously someone like the Sales Manager. I suppose he's being a Sales Manager before he came here and obviously it does take a very high standard of Sales Manager to run an operation like this. Certainly I don't see this as a 'first climb up' in any way - more a sort of Manager, if you like, of a smaller place.

TWK And then working up . . .

..... That's right.

TWK What percentage of your sales do you think are due to luck?

..... It's very difficult - I think one could be an average salesman - I have seen quite a bit - simply be the last firm on a shopper's list. You know, as I said before often I feel whereas I do all the work and somebody else gets the deal, sometimes it works in reverse. So, I think one could get on the end of some of those deals and that's it, if you call it luck, but many times when you see a salesman conclude a sale very very quickly, it's not because a customer has surrendered, it's because the salesman is good. If he knows he can get the

deal without doing the demonstration drive and all the rigmarole and he sits the customer down, signs him up, takes his money, then that's I would think a good salesman. He has done the job very very efficiently.

TWK How do you get on with other salesmen?

..... Very well. I like other salesmen, they are always lively, so the company is good - we have the odd commission dispute, but because salesmen are used to looking after themselves, you tend to have a row and then it's pretty well forgotten; whereas I would think a lot of occupations where and I used to be the same, they say nothing and hold a grudge, which is no good at all.

TWK Can I talk to you about customers - how you see customers now. Do you find there are any types of customers?

..... Well, as many types of customers as there are people generally, which I think is pretty well innumerable. It's, I think, possible to weigh up in the first few minutes of a conversation or even the way somebody approaches the showroom. I think big showrooms like this are quite intimidating, but you get some people who walk confidently through the front door and that sort of person you can approach, shake his hand, get his name and get straight down to business. Whereas, you see a lot of people they park their car around the side and

come in through a side door and hope to arrive unnoticed and people like that you let them settle a bit and just try and make a few comments and hang around in the background - ready when you are needed.

TWK Do you think that you adapt yourself to each customer?

..... Yes, all the time. Some customers - again you can be talking to a Jaguar customer one moment and a small used car customer the next. Some like to meet quite an educated salesman, if you like, who can talk to them on their own terms, but a lot of the say unemployed, shop floor workers, or a used car man, they would be put off by that, so you try and be more 'matey' with them. Generally try to get in - try and be the sort of salesman the customer feels comfortable with.

TWK Do you try and control what's going on, in a sale?

..... Oh yes, I control all of it, I would think. You tend to find it's reasonably easy to control people. For instance, if I want a person to take a 'test drive' I wouldn't ask him - you find that if you bring a car around to the front and you open the passenger door and talk to the fellow, he has got to get in. He really hasn't got any choice. The same as if you are talking to someone and you start walking slowly they will follow you - if you pull a chair up, they will sit down.

TWK How devious would you be in order to make a sale?

..... I wouldn't be devious at all. I mean that is fatal - I think all that would happen is that you would get a cancellation next morning. Most salesmen go through that 'hard sale' phases, or devious phases and it never works, even if you sign the fellow up, because he gets back to the comfort and security of his own home, he will either write or 'phone and cancel. I mean it puts my back up a little bit when sometimes you get double glazing salesmen around - they will say they are doing a property survey and something like that to start with, whereas again, if I am caught canvassing, speaking to a company on the 'phone, I say who I am, who I work for and I am ringing as we are in the business of selling cars and I would like to see if I can come and talk to them and see if I can do some business with them - it's just as simple as that - getting right down to it - say what I am 'phoning for. Saves my time and their's - my time's as valuable as their's and if they are not in the market, I would rather know straight away.

TWK Fine, that's everything - you have been looking at the commission system, you think it is a good system and that it - looking at other salesmen, do you think it has worked for them as well as for you?

..... Oh yes, I think everybody has worked very hard the last six months.

TWK As hard as they did during the previous six months?

..... Yes - I mean we were conscious of the financial rewards and I wouldn't pretend otherwise. I think if the system had been geared slightly differently - you know, perhaps from 6% through to, well I don't know, 25% say. We are earning huge sums per car at the end and I still think it would have worked as well - as I say, I think you get beyond a certain sum of money when you can't motivate any more. But certainly I like the idea of progressive scale.

TWK And the other salesmen did as well?

..... That's right, because I mean you hear lots of salesmen if they are in particularly high risk activities like insurance and so forth, if they hear of the 'high flyers' who perhaps earn thousands it does give them something to aim at and even if they are not doing very well, they can say well, if Harry earns this I can. So it is always an example - I think you have got to have a few, at least one successful salesman in an organization, particularly when newcomers are coming into the business to say 'Look, when he joined us, he's as green as you are, now look at him.' It's got to motivate, I know it did me when I first started.

TWK Is that why you took the job in the first place, or

one of the reasons - for money.

..... Not really, no. It was just that I was bored silly
with an office job - I was always interested in
cars and selling, so it seemed a logical move.

TWK Thanks ever so much.

INTERVIEW WITH SALESMAN (NO 6)

TWK You have been on the commission system now for just gone six months, any problems - what do you think of it?

..... Oh, it's a big improvement from what we were on before. I got the impression that it was too complicated as you probably know, all the salesmen were delighted with it - I don't know what the company thought of it, but certainly it gave you more enthusiasm, you know, as you could see the commission building up it gave you the momentum to 'push on' the deals, especially towards the end of the month. I think it was a very good system - I was very pleased to work within it and would be pleased to continue it.

TWK You were conscious were you - well, you knew it was a 'short term' system, did you?

..... Oh yes, it was explained originally to us that it would run for six months 'come what may'.

TWK Yes, and you were quite happy with that and you felt that you had the opportunity to earn as much as you could?

..... Oh yes, I think it really 'opened the door' from the commission side. I think it really gave you the momentum especially towards the end of the month - I know a number of the lads where they would normally have the Sunday off or a Saturday

afternoon off - when you are half way through the month and you saw your sales building up, people were more inclined to, you know, stay the extra hour here and work an extra half a day to 'push' the deals in towards the end of the month.

TWK And you made more money?

..... Oh yes, no doubt about it.

TWK Did you sell more cars?

..... Yes, I think overall, yes, I think I can say that I did sell more motor cars, yes.

TWK And you think it was because of the . . .

..... It certainly helped. When you say 'sell more motor cars', it really is difficult to pinpoint this, because months can change so much; we had a very good run from January and it really only is during the last couple of months that things have really slackened down, but, yes, I think overall it certainly did improve the sales and certainly from my side more time was put in, so, obviously, the more time you spend on it, the more motor cars you are going to sell.

TWK Can I talk about selling now - when you first see a customer or when you talk to a customer, what do you think the probability is of you selling them a car at that stage?

..... Well I always remember when I first joined Britcars, quite a few years ago, where we had a chappie come in and looked at an AC Cobra, and he was, all his

shirt was open in the front and he had a bottle hat on and he was about 25 years old and my Sales Manager said "I wouldn't waste your time with him, he is a drain cleaner from Parkway." Anyway, he came in and I had only joined Britcars a little while then, and I plugged away and plugged away, anyway the deal came up and when I started filling in the order form I asked him for his name and he said his name was Dundas, I said "I need your full name," he said, "Lord David Dundas." So ever since that day, I work on the assumption that everyone is going to buy a motor car.

TWK But you don't actually sell to everyone.

..... Yes, because I don't think - it is very difficult to say, this is a genuine buyer, that's not a genuine buyer. As I say, that's the best example I can give you about trying to estimate a buyer from a non-buyer. I think the only time that I would probably say to myself "He's not going to buy" is when you get a couple of young blokes in - eighteen year olds, or something like this. Apart from that I wouldn't on appearance try to say this is a buyer or it's not a buyer.

TWK After you have asked them a few questions do you try and assess whether you are likely to sell them a car or not?

..... Oh yes, I think you tend to get an idea then. I think most of the people basically want a motor

car, but you get a fair idea of whether it is a sort of 'pipe dream' or whether, you know, they are in the market in too much time or whether they are sort of desperate and they have been round to several other garages and they look quite genuine. I think there is a way of sorting out how good a punter they are - you get the odd one who really is a time waster, but you just put that down as bad luck and you look on it afterwards as wasting your time. But to try and estimate beforehand, I don't think is a good idea.

TWK Of the people you talk to, how many do you actually sell cars to - how many sign the order form?

..... Well it doesn't sound very many, but I would think, thinking about it, probably, when you say "sign the order form" you mean eventually or then and there?

TWK Or whichever. How many do you actually sell a car to?

..... I would think about 2 in 10. It is tempting to say more than that, but I think 2 in 10 would probably be a fair idea.

TWK And once you have sold them a car, do you have any idea of how much money is in that car - how much you are going to earn from it?

..... No, I don't tend to look at it as to how much I am going to earn from it. I look more at how much the Company is going to retain profit-wise.

Obviously, if the Company's profit is good, then obviously, it is reflected back into my commission. I don't actually work out my commission as I am talking to the customer it just goes through your head that the more profit you can retain, the more you are going to earn out of it, so it is a little bit hypothetical to look at how much I am going to earn. It is easier to look at what we retain in the deal.

TWK But you are conscious that your pay is directly . . .

..... Oh yes.

TWK And over the last six months you have earned more money than you would normally.

..... Yes, most certainly.

TWK Do you have any particular, well, I was going to say 'need' for money, everybody has a 'need' for money, but is there anything special that you are saving for, or - you are married aren't you?

..... I am, yes, but, no, I am not heavily committed, but I must admit that when I first joined Britcars about 17 years ago and I first took out a mortgage and had bigger overheads, I must admit this gave you the more momentum to sell and look for business - now my commitments are a lot smaller then the pressure is obviously not on to earn as much as you used to.

TWK But you still took advantage of this opportunity to earn.

..... Yes, you can always do with more. I think when you see the money there and you have got a better goal to aim for, you see on our old commission system there wasn't the goal at the end of it. Whereas with the scheme we have been working on for the last six months you can see the build-up of it and, you know, whether your commitments are high or low everybody can use more money so.

TWK Yes. Could I talk about the job of a salesman, or a car salesman. Can you just tell me what the job is, what you do?

..... Yes, basically, I think I am representing Britcars and I am putting over my thoughts and my manners, my courtesy, if I can use that word, and care to induce a customer to purchase a vehicle from Britcars.

TWK How much time do you spend face to face with the customer?

..... What, how many hours per day?

TWK Yes,

..... I would think somewhere in the region of about four hours a day I would think, that's taking into account, when you say face to face, telephone - I would think somewhere in the region of 4/4 1/2 hours a day.

TWK What do you do the rest of the time?

..... The rest of the time you are normally sorting out deals that you have already done. It is very time

absorbing to see motor cars through and you have people coming back on a service query and finance; there is a fair bit of paper work when somebody says yes I will buy a car - you have to sort out the insurance for them, of course, and there is always something to do. I will give you an example. I spent, what, 3/4 hour this morning with a man that bought a year ago a Jaguar from us, which has just gone out of warranty and we are trying to get a claim through for him from the factory - well it involves writing letters and so on, so, although it only seems like one small query, it can easily absorb an hour of your time.

TWK Do you like being a salesman?

..... Never known any difference to be honest with you. I have always been in selling, so yes, I do like it - I do like meeting the people.

TWK What do you think other people who you meet think of car salesmen - think of you as a car salesman?

..... Oh, I think everybody, it's a standing joke, you know, a second hand car salesman is a bit dodgy with the small moustache and so on. I don't know, I think people are coming round more now; I think this is a nice thing about working for a large group, because I think you have got the respectability for being a car salesman when you say I am a car salesman for Britcars, rather than say I am a car salesman. I think, you know, if you have got

the not necessarily Britcars, but if you have got Kennings, the name Kennings, or Lex, or something that has got a little bit of concrete behind it, then it's like saying you have got, you work for a grocer or you work for Sainsburys - it's got the impact behind it.

TWK When you are at a party or something like that, do you tell people what you do?

..... It depends, sometimes I say I sell motor cars for a living, rather than use the words 'car salesman', I think the word car salesman, as you were saying, is, has got a bit of stigma about it, but I usually say that I work in the motor car trade, or I work for Britcars or something like this - I try not to use the word 'car salesman'.

TWK How can I put this - are you competitive in car selling - I mean competing with other salesmen?

..... I am not too sure what you mean. When you say competitive, do you mean, do I look at it on a, you know, am I doing better than him this month or am I doing worse, do you mean from that angle?

TWK Yes?

..... Yes, I suppose I do. I like to see the commission sheets at the end of the month, when we get a break down of the figures and who sold what and how much money you have earned for the company and yes, there is that competitiveness there - I like to think yes, I am here, or there, or I have got to

beat him, or I have got a little bit more than him
- yes, I do look at it from that angle.

TWK How much of car selling or the sales you make are
due to luck?

..... Due to luck! I think the only luck that comes into
it, to be honest with you, is being there to see
the person first. You know, somebody walks into
the showrooms, it would be unlucky if you were just
dictating a letter compared with if you were, you
know, get in five minutes earlier and I am lucky
enough to see the chappie that walks in through the
door. That's the only sort of luck that I would
say is involved in it.

TWK But, once you are talking to the guy?

..... No, I don't think luck comes into it. I think it
is just a matter of doing a better job than the
other people he has seen. I find it is a lot
easier, in most cases, especially when you are
dealing with someone like a Managing Director and
executive cars is to talk about other things and
lastly you talk about his cars and if you find his
interest, you have usually got him because he thinks
you are a nice chap, rather than give him all the
technical 'bull' on a Jaguar and this sort of
thing. If you can pinpoint the man's interest very
quickly - if he has got a set of golf clubs in the
back of his car you can usually get him talking
about golf for half an hour and the last thing he

says is, well, we will have the car if you can meet this quote. So, I find it is easier not to talk about cars unless they specifically ask you out and out questions.

TWK Can I ask you about customers now? Are there sort of certain types of customers do you think?

..... Oh yes. I don't think any two are the same. I think they are all different. You obviously get your Managing Directors on one scale and your sort of family man. And the 'wizz-kid', if you like, the ones that want to buy a sports car. You can put them in those sort of categories, I suppose. The odd woman, single woman, that's probably in a good job and wants to buy a motor car. You know, a nurse, or recently we sold a car to a woman Customs Officer. You can put them into those sort of categories - but I think, you know, one Managing Director, I find, is very much like another Managing Director - a family man, one family man is very much like another family man.

TWK Do you approach them differently - do you have different techniques for them?

..... Yes, I was saying that I don't talk about the motor car, I talk about his interests - I don't think that's true when you are dealing with the executive type of motor cars or where a company is probably paying for the car. I think when you are dealing with a family man, he is more conscious, he has

come out to buy a motor car and he goes into the 'nitty gritty' of fuel consumptions, boot spaces and this sort of thing, so I think you spend a lot more time talking about the actual product with the family man than you do with an executive.

TWK Do you have any special technique for making a sale? Do you try and control what's going on during the sale?

..... Yes, I do. I think I prefer to deal with the Managing Director of a company - I prefer to deal with the Jaguar market than the lower market. I find these people a lot easier to get on with and they are a lot more straight forward and you can normally get a straight "yes" immediately, rather than dragging on when, you know 'Aunt Mary dies' and they are going to get a few bob and this sort of thing with the family man. So, yes, as far as technique goes, I can only say, you know, what I referred to before by finding the man's interest and playing on that. Obviously, things, general courtesy comes into it. I have never called a man by his first name, unless he particularly asked me to. I think if people like to be called - I usually put in a lot of 'Sirs' and this sort of thing. But, after you have met them a couple of times, you tend to be fairly matey with them and and it becomes fairly natural. I don't think you get a feeling when you can call them by their

first name - a chappie when he always comes on the 'phone, says, "I am Bernie Newmarch." But if he came on and said, "I am Mr Newmarch," I would probably, accept this for this morning. After about 12 years, I referred to him as "Bernie." But I don't think you can feel your way through on that sort of thing.

TWK How devious would you be to sell a car? I mean, you must be tempted from time to time.

..... I would be as devious as I possibly could be. I don't think there is anything wrong with that. I wouldn't tell an out and out lie and, of course, the law is so tight now on motor car salesmen, on what you can do and what you can't do. But, when you say devious - it wouldn't worry me if I saw a finance wreck in here and picked up some information that somebody else was interested in a car from another garage - it wouldn't worry me at all to go out and chase that up. But I wouldn't tell a man a car has never been in an accident if I know it had been.

TWK Would you not disclose information to the customer?

..... Oh yes, I wouldn't, I am just trying to think. Obviously, when you are talking about cars that have been in a bad accident, Britcars wouldn't sell one in the first place anyway. If I knew there was a fault on a motor car, sometimes, it is better, I find it easier if it's a small thing, which we have

got to do anyway under our warranty, it is better to point it out to the man there and then and he thinks more of you than letting him find it out himself. If it is something he probably wouldn't notice, I probably wouldn't mention it - or something I thought we could get away with, I probably wouldn't mention it. I don't know, that's a difficult one that one.

TWK OK How do you think the other salesmen responded to the commission scheme. Do you think it has worked well for them?

..... They have all been delighted with the one we have been using over the last six months and they would certainly like to keep it - no doubt about that, but I think what it has done I don't know if we have got a meeting tonight on the new commission structure, but I think it's leaning more to your scheme than to the old ones, so I think it is certainly going to be a lot better, on the little I know about it at the moment, I can only think that your scheme has highlighted the idea a bit. But, it was unfortunate, I think, when your scheme came in, when I say unfortunate from the company looking at it, because at that particular time we had a big influx of MCP cars - this had now drastically dropped off. We were working on something like about 12 or 15 each MCP cars in January/February and now we are down to

about the odd two or three. So, where originally it might have given a false impression of your commission structure by this big influx of MCP cars coming on. I think if you looked at it now, from the company's point of view, it would be more realistic.

TWK OK. Thanks very much indeed.

APPENDIX D

DETAILS OF PERFORMANCE OF EXPERIMENTAL SALESMEN

D1 - Units Sold

D2 - Profit Per Unit

D3 - Income

JANUARY	FEBRUARY	DECREASE IN MEAN		MAY	JUNE	TOTAL
		FEBRUARY	MARCH			

Wilcoxon Test (Differences between means for 1982 and 1983)

** Significant $p < 0.01$ (two tailed) Observed Value $T = 2$ Critical Value = 5

N/A Not Available

TABLE SHOWING THE PROFIT PER UNIT SOLD EACH MONTH DURING THE EXPERIMENTAL PERIOD (1st JANUARY 1983 - 30th JUNE 1983) AND THE SAME PERIOD DURING 1982 (1st JANUARY 1982 - 30th JUNE 1982) TOGETHER WITH MEAN PROFIT PER UNIT DURING BOTH PERIODS AND THE INCREASE OR DECREASE IN THE MEAN

Profit Per Unit (£'s)

	SALESMAN	JANUARY		FEBRUARY		MARCH		APRIL		MAY		JUNE		1982		INC/ DEC
		82	83	82	83	82	83	82	83	82	83	82	83	MEAN		
Experimental Group	4	175	147	201	139	181	255	280	219	290	164	248	108	229	172	-57
	5	268	273	244	204	273	272	300	242	251	289	244	210	263	248	-15
	6	695	237	346	138	254	194	273	197	233	205	274	193	345	194	-151
Company Control		379	219	263	160	236	240	284	219	258	219	255	170	279	205	-74*
	7	466	581	296	230	366	257	336	347	445	288	206	232	352	322	-30
	15		116		211	239	190	379	241	333	243	205	364	289	227	-62
	8	267	285	289	194	290	270	209	257	269	350	242	303	261	276	+52
	9	60	394	256	373	248	401	211	241	240	334	363	358	230	350	+120
	10	370	400	389	282	336	372	289	327	308	422	337	380	338	364	+26
	11	267	347	248	231	354	359	288	563	402	347	315	350	312	366	+54
	12	574	147	195	219	93	339	213	328	291	262	237	294	267	265	-2
	13	121	192	263	451	237	100	385	398	267	444	273	178	258	294	+36
	14	457	335	300	318	353	300	225	307	319	232	239	312	315	301	-14
		323	310.7	279.5	278.8	279.5	287.5	281.6	334.3	319.3	324.7	268.5	307.9	291	307	+16*

* Mann-Whitney u-test. Differences between groups significant $p < 0.10$ (Observed value $u = 3$. Critical Value $u(3,9) = 3$.)

Differences between means - not significant.

Results for Salesman No 2 - not available

Information for Market-Control - not available

1983	1982
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	SALESMAN	Jan	Feb	Mar	Apr	May	Jun	\bar{x} per month	Jan	Feb	Mar	Apr	May	Jun	\bar{x} per month	Increase Decrease x per month	%		
Experimental Group	4	885	718	2382	1506	932	820	1207	450	679	798	1187	694	552	727	+480	66.7		
	5	656	946	2920	1371	1473	534	1317	913	561	787	780	490	754	714	+603			
	6	373	173	460	485	549	198	373	134	353	272	535	248	252	299	+74			
Month \bar{x}		638	612	1921	1121	985	517	967	499	531	616	834	474	519	580	+387*			
Company Control Group	7	549	479	504	778	348	145	467	392	173	503	318	144	174	284	+183	9.0		
	15	501	325	451	596	224	424	420	501	325	261	635	361	175	376	+44			
	8	235	836	765	652	757	310	591	962	757	701	1070	282	480	709	-118			
	9	577	259	725	528	120	361	428	577	316	534	276	325	432	410	+18			
	10	539	461	684	428	387	403	484	570	560	426	557	428	342	480	+4			
	11	530	366	781	317	195	416	434	294	575	604	218	323	438	409	+25			
	12	152	304	386	429	176	485	322	203	96	30	168	343	114	159	+163			
	13	173	414	40	451	279	173	255	130	682	232	211	240	241	289	-34			
	14	312	806	522	507	212	708	511	233	120	767	786	450	527	480	+31			
	Month \bar{x}	396	472	540	521	300	381	435	429	400	451	471	322	325	399	+36			
	Market Control Group	15	382	374	816	513	343	631	510	210	227	812	552	602	615	503		+7	27.4
		16	302	437	585	415	434	583	459	253	436	751	240	262	583	438		+21	
		17	462	363	801	243	463	395	454	306	252	334	213	176	329	268		+186	
		18	612	358	684	589	366	513	520	102	548	315	310	186	169	272		+241	
19		425	450	411	685	618	567	526	243	341	448	153	424	367	329	+197			
20		543	301	577	437	467	361	448	436	258	219	369	250	203	289	+159			
21		341	81	442	592	448	442	391	595	71	593	496	301	415	313	+78			
22		208	203	357	385	243	291	281	67	230	137	247	208	218	184	+97			
23		345	227	333	544	251	227	321	283	497	152	303	391	488	352	-31			
24		299	325	478	308	329	114	309	144	343	328	144	197	202	226	+83			
25		120	549	882	683	426	261	487	508	519	564	361	419	234	434	+53			
Month \bar{x}		367	333	579	490	399	399	428	286	338	423	308	310	348	336	+92**			

Wilcoxon Test (Differences between means for 1982 and 1983)

* Significant $p < 0.05$ {Observed Value $T = 0$, Critical Value Z {one tailed} Time Series Analysis}

*** Significant $p < 0.01$ (Observed Value $T = 3$, Critical Value 5 (two tailed))

Mann Whitney u -Test (Differences between Experimental Group and Company Control (1) and Market Control (2))

Company Control: Significant $p < 0.05$ (Observed value $u = 25$. Critical Value $u(3,9) = 2$ (one-tailed))

Market Control: Not Significant

Details for Salesman No 2 - not available

APPENDIX E

PSYCHOMETRIC MEASURES

1. Demographic Data Form 1
2. Demographic Data Form 2
3. Rosenberg Measure of Self-Esteem
4. Rotters - Locus of Control
5. Janis-Field Feelings of Inadequacy Scale
6. Manifest Need Questionnaire
7. Machievellianism Scale

This information is required for research purposes only and will be treated totally confidentially. Please put your name at the head of this paper. There are no right or wrong answers to any of the questions so please answer all questions as honestly as you possibly can.

Age Sex Present Job How Long In Present Job

Previous Job How Long In Previous Job

Married House - Owner/Tenant/Other Children

Education CSE)

GCE 'O' level)

GCE 'A' level) Please put number where appropriate

Apprenticeship)

Other Higher Education)

Please answer the following questions :

1. I like being paid on commission.
2. I work harder because I am paid on a commission basis.
3. I sell more cars because I am paid on a commission basis.
4. I would prefer to be paid a straight salary.
5. I would sell just as many cars if I was paid a salary.

Are you satisfied being a car salesman?

.....

Agree Very Much	Tend to Agree	Neutral	Tend to Disagree	Disagree Very Much

This information is required for research purposes only and will be treated totally confidentially. Please put your name at the head of this paper. There are no right or wrong answers to any of the questions so please answer all questions as honestly as you possibly can.

Age..... Sex..... Present Job How long in Present Job

Previous Job..... How long in Previous Job

Married House-owner/Tenant/Other Children

Education GCE )
 GCE 'O' Level )
 GCE 'A' Level )
 Other Higher Education)

Please put number were appropriate

Please answer the following questions:

- 1. For the job I do, I feel the amount of money I make is extremely good
- 2. Almost none of my needs are satisfied by the pay and benefits I receive
- 3. Considering what it costs to live in this area my pay is more than adequate
- 4. The way pay is handled around here tends to discourage hard work
- 5. The amount of money I make makes my overall attitude towards the job very favourable

Are you satisfied being a nurse:

Agree Very Much	Tend to Agree	Neutral	Tend to Disagree	Disagree Very Much

Below are a number of statements about what you think of yourself. There are no right or wrong answers so please answer the questions as honestly as you can.

Answer by putting a circle around the number that best describes how you feel - 1 = strongly agreed to 4 = strongly disagree.

	strongly agree	agree	disagree	strongly disagree
1. I feel that I'm a person of worth, at least on an equal basis with others.	1	2	3	4
2. I feel that I have a number of good qualities.	1	2	3	4
3. All in all, I am inclined to feel that I am a failure.	1	2	3	4
4. I am able to do things as well as most other people.	1	2	3	4
5. I feel I do not have much to be proud of.	1	2	3	4
6. I take a positive attitude toward myself.	1	2	3	4
7. On the whole, I am satisfied with myself.	1	2	3	4
8. I wish I could have more respect for myself.	1	2	3	4
9. I certainly feel useless at times.	1	2	3	4
10. At times I think I am no good at all.	1	2	3	4

Below are a number of pairs of contradictory statements. Would you please answer each question by circling the small (a) or (b) next to the statement which most nearly represents what you think. If you do not agree with either statement please circle the small letter next to the statement nearest your viewpoint. It is important that you answer all the questions.

1. (a) Children get into trouble because their parents punish them too much.
(b) The trouble with most children nowadays with that their parents are too easy with them.
2. (a) Many of the unhappy things in people's lives are partly due to bad luck.
(b) People's misfortunes result from the mistakes they make.
3. (a) One of the major reasons why we have wars is because people don't take enough interest in politics.
(b) There will always be wars, no matter how hard people try to prevent them.
4. (a) In the long run, people get the respect they deserve in this world.
(b) Unfortunately, an individual's worth often passes unrecognized no matter how hard he tries.
5. (a) The idea that teachers are unfair to students is nonsense.
(b) Most students don't realize the extent to which their marks are influenced by accidental happenings.
6. (a) Without the right breaks one cannot be an effective leader.
(b) Capable people who fail to become leaders have not taken advantage of their opportunities.
7. (a) No matter how hard you try, some people just don't like you.
(b) People who can't get others to like them don't understand how to get along with others.
8. (a) Heredity plays the major role in determining one's personality.
(b) It is one's experiences in life which determine what one is like.
9. (a) I have often found that what is going to happen will happen.
(b) Trusting to fate has never turned out as well for me as making a decision to take a definite course of action.
10. (a) In the case of the well prepared salesman, there is rarely, if ever, such a thing as an accidental sale
(b) Many times customers reactions tend to be unrelated to what I say, so that knowing how to sell is really useless.
11. (a) Becoming a success is a matter of hard work, luck has little or nothing to do with it.
(b) Getting a good job depends mainly on being in the right place at the right time.
12. (a) The average citizen can have an influence in government decisions.
(b) This world is run by the few people in power and there is not much the little guy can do about it.
13. (a) When I make plans, I am almost certain that I can make them work.
(b) It is not always wise to plan too far ahead because many things turn out to be a matter of good or bad fortune anyhow.
14. (a) There are certain people who are just no good.
(b) There is some good in everybody.
15. (a) In my case getting what I want has little or nothing to do with luck.
(b) Many times we might just as well decide what to do by flipping a coin.

16. (a) Who gets to be the boss often depends on who was lucky enough to be in the right place first.
(b) Getting people to do the right thing depends upon ability, luck has little or nothing to do with it.
17. (a) As far as world affairs are concerned, most of us are the victims of forces we can neither understand nor control.
(b) By taking an active part in political and social affairs the people can control world events.
18. (a) Most people don't realize the extent to which their lives are controlled by accidental happenings.
(b) There really is no such thing as "luck".
19. (a) One should always be willing to admit mistakes.
(b) It is usually best to cover up one's mistakes.
20. (a) It is hard to know whether or not a person really likes you.
(b) How many friends you have depends on how nice a person you are.
21. (a) In the long run the bad things that happen to us are balance by the good ones.
(b) Most misfortunes are the result of lack of ability, ignorance, laziness or all three..
22. (a) With enough effort we can wipe out political corruption.
(b) It is difficult for people to have much control over the things politicians do in office.
23. (a) Sometimes I can't understand why customers buy what they do.
(b) There is a direct connection between how hard I sell and the sales I make.
24. (a) A good leader expects people to decide for themselves what they should do.
(b) A good leader makes it clear to everybody what their jobs are. .
25. (a) Many times I feel that I have little influence over the things that happen to me.
(b) It is impossible for me to believe that chance or luck plays an important role in my life.
26. (a) People are lonely because they don't try to be friendly.
(b) There's not much use in trying too hard to please people, if they like you, they like you.
27. (a) There is too much emphasis on athletics in school.
(b) Team sports are an excellent way to build character.
28. (a) What happens to me is my own doing.
(b) Sometimes I feel that I don't have enough control over the direction my life is taking.
29. (a) Most of the time I can't understand why politicians behave the way they do.
(b) In the long run the people are responsible for bad government on a national as well as on a local level.

Below are 20 statements that describe how you could feel about certain things. We would like to know which of these statements accurately describes how you feel. Please circle round the number which best describes how you feel. Remember there are no right or wrong answers. Please be as frank and honest as possible. All answers will be treated totally confidentially.

1.	Do you ever think that you are a worthless individual?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
2.	How often do you feel self-conscious?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
3.	How often do you feel that you have handled yourself well at a social gathering?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
4.	Do you ever feel so discouraged with yourself that you wonder whether anything is worthwhile?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
5.	How often do you feel that you are a successful person?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
6.	How often do you have the feeling that you can do everything well?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
7.	How often do you have the feeling that there is nothing you can do well?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
8.	How often do you feel that you dislike yourself?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
9.	How often do you worry about whether other people like to be with you?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
10.	How often do you feel inferior to most people you know?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
11.	How often are you troubled with shyness?	Always	1	Usually	2	Sometimes	3	Seldom	4	Never	5
12.	When you speak in a discussion, how sure of yourself do you feel?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
13.	In general, how confident do you feel about your abilities?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
14.	When you talk in front of a group of people of your own age, how pleased are you with your performance?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
15.	How confident do you feel that some day the people you know will look up to you & respect you?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
16.	When you have to talk in front of a group of people your own age, how afraid or worried do you feel?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
17.	How confident are you that your success in your future job or career is assured?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
18.	How much do you worry about how well you get along with other people?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
19.	How sure of yourself do you feel when among strangers?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5
20.	How comfortable are you when starting a conversation with people whom you don't know?	Extremely	1	Very	2	Somewhat	3	Not very	4	Very little	5

Instructions: Below are listed 20 statements that describe various things people do or try to do in their job. We would like to know which of these statements you feel most accurately describes your own behaviour when you are at work. Please place a circle round the box by that word which best describes your own actions. Remember: There are no right or wrong answers. Please answer all questions frankly. Your responses will be held in strict confidence.

	Almost Always	Always	Usually	Sometimes	Seldom	Almost Never	Never
1. I do my best work when my job assignments are fairly difficult.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2. When I have a choice, I try to work in a group instead of by myself.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
3. In my work assignments, I try to be my own boss.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
4. I seek an active role in the leadership of a group.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5. I try very hard to improve on my past performance at work.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
6. I pay a good deal of attention to the feelings of others at work.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
7. I go my own way at work, regardless of the opinions of others.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
8. I avoid trying to influence those around me to see things my way.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
9. I take moderate risks and stick my neck out to get ahead at work.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
10. I prefer to do my own work and let others do theirs.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
11. I disregard rules and regulations that hamper my personal freedom.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
12. I find myself organizing and directing the activities of others.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
13. I try to avoid any added responsibilities on my job.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
14. I express my disagreements with others openly.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
15. I consider myself a "team player" at work.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
16. I strive to gain more control over the events around me at work.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
17. I try to perform better than my co-workers.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
18. I find myself talking to those around me about non-business related matters.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
19. I try my best to work alone on a job.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
20. I strive to be "in command" when I am working in a group.	(1)	(2)	(3)	(4)	(5)	(6)	(7)

Listed below are a number of statements. Each represents a common-held opinion and there are no right or wrong answers. You will probably disagree with some items and agree with others. We are interested in the extent to which you agree or disagree with such matters of opinion. Read each statement carefully. Then indicate the extent to which you agree or disagree by circling the number in front of each statement. The numbers and their meanings are indicated below:-

If you agree strongly, circle +3
 If you agree somewhat, circle +2
 If you agree slightly, circle +1

If you disagree slightly, circle -1
 If you disagree somewhat, circle -2
 If you disagree strongly, circle -3

First impressions are usually the best in such matters. Read each statement, decide if you agree or disagree and the strength of your opinion, and then circle the appropriate number in front of the statement. Give your own opinion, use the one which is closest to the way you feel.

1. Never tell anyone the real reason you did something unless it is useful to do so. +3 +2 +1 -1 -2 -3
2. The best way to handle people is to tell them what they want to hear. +3 +2 +1 -1 -2 -3
3. One should take action only when sure it is morally right. +3 +2 +1 -1 -2 -3
4. Most people are basically good and kind. +3 +2 +1 -1 -2 -3
5. It is safest to assume that all people have a vicious streak and it will come out when they are given a chance. +3 +2 +1 -1 -2 -3
6. Honesty is the best policy in all cases. +3 +2 +1 -1 -2 -3
7. There is no excuse for lying to someone else. +3 +2 +1 -1 -2 -3
8. Generally speaking, men won't work hard unless they're forced to do so. +3 +2 +1 -1 -2 -3
9. All in all, it is better to be humble and honest than to be important and dishonest. +3 +2 +1 -1 -2 -3
10. When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which carry more weight. +3 +2 +1 -1 -2 -3
11. Most people who get ahead in the world lead clean, moral lives. +3 +2 +1 -1 -2 -3
12. Anyone who completely trusts anyone else is asking for trouble. +3 +2 +1 -1 -2 -3
13. The biggest difference between most criminals and other people is that the criminals are stupid enough to get caught. +3 +2 +1 -1 -2 -3
14. Most men are brave. +3 +2 +1 -1 -2 -3
15. It is wise to flatter important people. +3 +2 +1 -1 -2 -3
16. It is possible to be good in all respects. +3 +2 +1 -1 -2 -3
17. Barnum was wrong when he said that there's a sucker born every minute. +3 +2 +1 -1 -2 -3
18. It is hard to get ahead without cutting corners here and there. +3 +2 +1 -1 -2 -3
19. People suffering from incurable diseases should have the choice of being put painlessly to death. +3 +2 +1 -1 -2 -3
20. Most men forget more easily the death of their father than the loss of their property. +3 +2 +1 -1 -2 -3

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